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The Alignment between Performance Measurement and Strategy in Central Government Agencies

by

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**A thesis submitted in partial fulfilment of the requirements for the degree of
Doctor of Philosophy in Industrial and Business Studies**

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โททณณ์น้อย	สัณณมาชในเกษม
นรภัฏวาท	มลาชัยทั่วจันท
สัณห์ทวณธ์	ประจักษ์วิมล

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DECLARATION

Except for commonly understood and accepted ideas, or where specific reference is made, the work reported in this thesis is my own and includes nothing that is the outcome of work done in collaboration. No part of this thesis has been previously submitted to any university for any degree, diploma or other qualification.

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May 2005

SUMMARY

This research involved an investigation of the alignment between performance measurement and strategy in central government agencies. A review of the literature suggested that, although the topic is of great interest and importance, it has been underresearched. The context of the existing studies appears to be based primarily on for-profit/business rather than not-for-profit/public sector domain. Moreover, the existing research is mainly normative lacking supporting empirical evidence.

The objectives of this research were to (1) develop greater understanding of performance measurement in the public sector, and (2) provide supporting empirical evidence in place of the normative arguments regarding the alignment between performance measurement and strategy.

This research aimed to answer the question, *‘how, in central government agencies, is the alignment between performance measurement and strategy managed?’*

This interpretive multiple-case research comprised of the studies of four central government agencies in Thailand. The primary data source was interview data supported by documentation. The interpretational analyses were conducted both at intra-case and inter-case levels.

This research found that public officials often regarded, *‘strategy’* as equivalent to *‘policy’* and that these terms were used interchangeably. The research also found that the existing definitions of fundamental performance measurement/management terminologies did not fit comfortably with public sector management owing mainly to their lack of practical perspectives. This research proposed refined terminologies.

Additionally, the research found eight advantages of strategy-misaligned performance measurement despite the absence of their recognition in the existing literature. As a result, misalignment could be preferable in some circumstances. However, public managers were under pressure to demonstrate alignment between performance measurement and strategy thus *‘alignment tensions’* occurred in practice.

In order to deal with these tensions, three strategies were identified including (1) neglecting the tensions (as in *‘do-nothing strategy’*), (2) attempting to realign performance measurement with strategy (as in *‘realigning strategy’*, and (3) directing attention from the alignment issue (as in *‘distracting strategy’*).

CHAPTER 1

Introduction

1.1 Background

Over the past decades, public authorities in Thailand have witnessed a loss of trust and confidence from Thai citizens and society due in part to unsatisfactory public performance. This author—as a Thai citizen and now as a Thai civil servant—has also shared this Thai public-wide perception. However, it is interesting that the phenomenon is not uncommon among the public sector in other countries, including those in the more developed countries such as the US and the UK (see, for example, De Lancer Julnes and Holzer, 2001; Ghobadian and Ashworth, 1994; and Osborne *et al.*, 1995). It would appear that there is a need to improve public sector performance in order to regain trust and confidence from citizens and society in many countries.

This need to improve public sector performance has driven public authorities to adopt management practices, for example, the New Public Management—NPM (see, for example, Hood, 1995), which includes performance-oriented management (see, for example, Pollitt and Bouckaert, 2000), and the rise of the audit society (see, for example, Power, 1999). These trends have in common greater emphasis on performance measurement/management (e.g. Noordegraaf and Abma, 2003; and Wholey and Hatry, 1992). In the Thai public sector, for example, the adoption of NPM, of which performance

measurement/management is an integral part, is aimed at improving public sector performance with management methods from the field of management and the private sector (Bowornwathana, 2000).

Performance measurement has been regarded as a critical activity for organisational management (see, for example, Amaratunga *et al.*, 2001; Leandri, 2001; Lebas, 1995; White, 1996; and Wholey and Hatry, 1992) in both for-profit/business sector and not-for-profit/public sector. However, reviews of performance measurement literature suggest that disproportionate attention has been paid to researching performance measurement in the private sector. As a result, there appears to be a significant gap in the body of knowledge in the not-for-profit/public sector performance measurement.

In addition, performance measurement has been argued to hold a position in the strategic management context (see, for example, Bititci *et al.*, 1997; and Neely *et al.*, 1994). Yet, there is a lack of understanding of the link between performance measurement and strategy. For example, a common notion is that strategy-aligned performance measurement can facilitate and support the implementation of strategy (Kaplan, 2001; Kaplan and Norton, 1996a; Neely, 1999; Parker, 2000; Simons, 2000; and Skinner 1971). However, other than normative arguments derived mainly from intuition, there has been little empirical evidence underpinning the notion of the alignment between performance measurement and strategy.

Considering that public sector organisations' strategy tends to be highly volatile, learning from these organisations the way in which they manage the alignment between

performance measurement and strategy might yield considerable benefits to management practice. The knowledge learned from the public sector organisations not only helps in gaining greater understanding of strategic performance measurement in the public organisations subject to strategy instability, it might also help to shed light on the private sector organisations as well. In this sense, the studies of the alignment between performance measurement and strategy in public sector organisations seem to have the potential to highlight managerial implications both for public sector and business management.

1.2 Objectives

Following a review of literature in fields of performance management and management strategy, two significant gaps emerged: (1) underdevelopment in performance measurement in not-for-profit/public sector and (2) lack of understanding of performance measurement in strategic management context.

Therefore the objectives of this research are to:

- Contribute to the body of knowledge on performance measurement in the not-for-profit/public sector by investigating the alignment between performance measurement and strategy in the public sector context.
- Supplement normative arguments regarding the alignment between performance measurement and strategy with empirical evidence from a practitioner's perspective.

1.3 Structure of this Thesis

This thesis is structured into ten chapters. It begins with literature reviews, from Chapter 2 to Chapter 5, the purpose of which is to identify gaps in the body of knowledge to ensure the original nature of the contribution of this research. After the literature reviews, the research question is established.

The reviewing of research methodology in Chapter 6 details the appropriate research methods explained in Chapter 7. Results from the application of the specified research methods are presented and discussed in Chapters 8 and 9. Finally, Chapter 10 provides the conclusions of this research.

The structure of this thesis can be summarised in the following diagram.

Chapter 1: Introduction

LITERATURE REVIEWS

Chapter 2: Performance Measurement

Chapter 3: Strategic Management

Chapter 4: The Alignment between Performance Measurement and Strategy

Chapter 5: Strategic Performance Measurement in the Public Sector

RESEARCH QUESTION AND METHODOLOGY

Research Question

Chapter 6: Research Methodology

Chapter 7: Research Methods

Chapter 8: Case-Site Descriptions and Analysis

Case 1
Descriptions
and
Intra-Case
Analysis

Case 2
Descriptions
and
Intra-Case
Analysis

Case 3
Descriptions
and
Intra-Case
Analysis

Case 4
Descriptions
and
Intra-Case
Analysis

Chapter 9: Findings and Discussions

**Inter-Case
Analysis**

**Findings
and
Discussions**

Chapter 10: Conclusions

The objective of each chapter is described as follows.

Chapter 1: Introduction

This introductory chapter aims to explain the background and objectives of this research. The chapter also provides an overview of the structure of the thesis, as well as the objectives of each chapter.

Chapter 2: Performance Measurement

The objective of this chapter is to review performance measurement literature, in order to identify gaps in the body of knowledge.

Chapter 3: Strategic Management

This chapter aims to review strategic management literature especially relevant to performance measurement. The purpose is not to cover all areas of strategic management, but to explore the link between performance measurement and strategy from the strategic management perspective.

Chapter 4: The Alignment between Performance Measurement and Strategy

This chapter sets out to review the literature pertaining to organisational alignment in general, and to the alignment between performance measurement and strategy in particular, to identify the gaps in the body of knowledge.

Chapter 5: Strategic Performance Measurement in the Public Sector

The objectives of this chapter are to review literature pertaining to strategic performance measurement in the public sector and to propose research question for this study.

Chapter 6: Research Methodology

The objectives of this chapter are to review social science research methodology and to assess the available research methods, in order to identify the appropriate methods for this study.

Chapter 7: Research Methods

This chapter aims to explain and justify the research methods for this study.

Chapter 8: Case-Site Descriptions and Analysis

The objectives of this chapter are to provide case descriptions and to discuss in-case analysis results from each case site.

Chapter 9: Findings and Discussions

The objectives of this chapter are to report and discuss the findings of this research.

Chapter 10: Conclusions

The objectives of this final chapter are to (1) answer the research question, (2) identify the contributions of this research, (3) identify research limitations, and (4) note additional issues raised by the research and suggest areas of future research.

CHAPTER 2

Performance Measurement

2.1 Introduction

The objective of this chapter is to review performance measurement literature, in order to identify gaps in the body of knowledge. This chapter explores five main issues in the performance measurement literature, including:

- Definitions of key terms
- Why do organisations measure performance?
- Types of performance measures
- Fundamentals of the effective performance measurement
- Notable performance measurement frameworks

2.2 Definitions of Key Terms

Performance measurement is discussed extensively; however, surprisingly, there appears to be limited consensus on the definitions of performance measurement and other related terms (see, for example, Black, 2001; and Neely *et al.*, 1996). This section reviews different definitions of five key terms in the study of performance measurement proposed

by different authors. These terms are (1) performance, (2) performance management, (3) performance measurement, (4) performance measurement system, and (5) performance measure.

After reviewing the definitions of these terms, a summary of the definitions will be given in order to provide consistency in the use of these terms throughout this research.

2.2.1 Performance

Lebas (1995) noted that few people agree on what performance really means. Its meaning can vary from efficiency, to robustness, resistance or return on investment, or other definitions never fully specified.

In a business context, Neely *et al.* (1996) regarded performance as the efficiency and effectiveness of action. In terms of operations, Slack *et al.* (1995) stressed the importance of customers to a business organisation by defining performance as the degree to which an operation fulfils the objectives at any point in time, in order to satisfy its customers.

However, Lebas (1995) commented that performance is not so much about past achievements—as generally accepted—but about the future and the capacity for the unit to be evaluated. That is performance is the potential for future successful implementation of actions in order to reach the objectives and targets. The author, therefore, defined performance as the deploying and good management of the components of the causal

model(s) that lead to the attainment of the objectives contingent to organisational contexts and situations.

2.2.2 Performance management and performance measurement

Bititci *et al.* (1997) defined performance management as the process by which the organisation integrates its performance with its corporate and functional strategies and objectives. Additionally, Lebas (1995) maintained that performance management is a philosophy, which is supported by performance measurement.

While performance management can be defined as the organisation's integration of its performance with strategies and objectives, Evangelidis (1992) regarded performance measurement as the process of determining how successful organisations or individuals have been in attaining their objectives. However, this definition of performance measurement seems to be less specific compared with those of other authors. For example, Marshall *et al.* (1999) referred to performance measurement in a more specific manner as the development of indicators and collection of data necessary to describe, report on and analyse performance. These authors also pointed out that the performance data and indicators can have a role in determining success.

Other authors have defined performance measurement even more specifically. Neely *et al.* (1996), for example, defined performance measurement as the process of quantifying action correlates with performance. The authors suggested that in order to measure

performance, actions should be quantified in terms of efficiency and effectiveness. More recently, Amaratunga *et al.* (2001) described performance measurement as a process of assessing progress towards achieving predetermined goals, including information on the efficiency with which resources are transformed into goods and services, the quality of those outputs and outcomes, and the effectiveness of organisational operations in terms of their specific contributions to organisational objectives

In a study of performance measurement in the public sector, Nyhan and Martin (1999) regarded performance measurement as the regular collection and reporting of information about the efficiency, quality, and effectiveness of government programmes. In comparison to that of Neely *et al.* (1996), Nyhan and Martin's (1999) definition appears to be more relaxed, for not only does it focus on the quantification of measurement, but it also includes the qualitative aspects of the measurement. Moreover, Nyhan and Martin's (1999) definition includes the need for constancy of measurement.

Collectively, performance measurement may be seen as a critical activity in a larger effort to develop an underlying system around the performance management that uses performance data to assess how an organisation is performing, and to chart its course (Kates *et al.*, 2001).

2.2.3 Performance measurement system and performance measure

Lockamy III and Smith (1997) defined a performance measurement system as a systematic way of evaluating the inputs, outputs, transformation and productivity in a manufacturing or non-manufacturing operation. The authors noted that a performance measure is the actual value of the performance action.

Performance measures are more often considered in quantitative form. For example, Pritchard *et al.* (1991) regarded performance measures as the numerical or quantitative indicators that show how well each objective is being met. Sorber (1993) defined a measure as a quantified description of a component of a production process.

To depict the interrelatedness among the entities within a performance measurement system, Neely *et al.* (1996) suggested an examination of three different levels of a performance measurement system. The first level is the individual performance measures within a performance measurement system. The second level is the system as an entity. The third level is the relationship between performance measurement system and the environment within which it operates. All levels of such a system seem not to be separable (Lebas, 1995).

In a similar manner, performance management precedes and follows performance measurement in a virtuous spiral, with the former creating the context for the latter. Performance measurement and performance measures are closely interrelated. Thus, as

Lebas (1995) noted, any attempt at separating the two processes is bound to be unsuccessful.

2.2.4 Summary of the existing definitions of the key terms

Even though the meanings of the key terms in the performance measurement/management literature have yet to be settled, for the purpose of this research, the following definitions will be used:

Performance is *'how actions lead to the accomplishment of the objectives'*.

Performance measure is *'the quantification of a particular variable'*.



Performance measurement system is *'a set of performance measures and how they are measured'*.



Performance measurement is *'a process of determining how the performance measurement systems lead to the accomplishment of the objectives'*.



Performance management is *'the use of performance measurement to assess the organisation in order for improvement/development'*.

The purpose of listing these definitions is to ensure consistency when using these terms throughout this research. The following figure summarises the interrelationship of these terms.

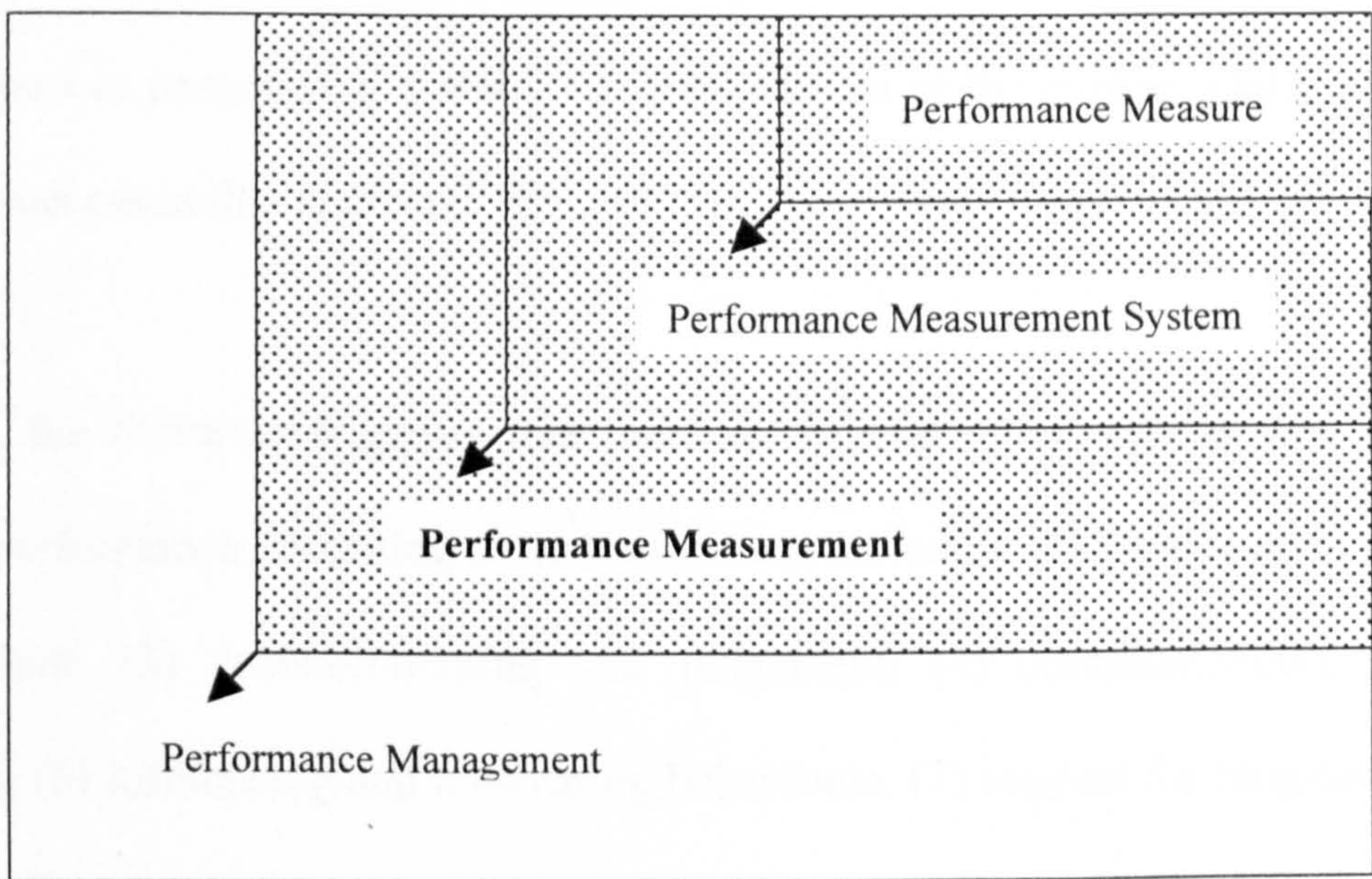


Figure 2a: Interrelationship of Key Terms
(Source: the author)

Figure 2a highlights the focus of this thesis, namely, performance measurement, which includes performance measurement system(s) and performance measure(s). Moreover, this set of definitions provides a structure for case-site analyses in Chapter 8.

2.3 Why Do Organisations Measure Performance?

Performance measurement, as an important management tool (see, for example, Amaratunga *et al.*, 2001; Leandri, 2001; Lebas, 1995; White, 1996; and Wholey and Hatry, 1992), has been used perhaps mainly to provide information about the success of organisations in progressing towards accomplishment of the current goals, compared with previous success in this respect (Lebas, 1995).

However, the literature suggests that there are several other reasons why organisations measure performance according to their purposes, including (1) control and evaluation, (2) improvement, (3) decision-making and judgement, (4) communication, (5) resource allocation, (6) influencing and motivating behaviours, (7) support for long-term focus, and (8) managing change. Each of these eight different performance measurement purposes will be reviewed in turn.

2.3.1 Control and evaluation

Control and evaluation would seem to be the most common purpose of performance measurement. The concept of control and evaluation was claimed to originate from the engineering sciences, such as mechanical and electrical engineering (e.g. De Hass and Kleingeld, 1999). However, in contrast to engineering science, control in management science relates to social rather than to technical systems. Control may be described as the process of detecting and correcting adverse change (Juran, 1964).

In management science, performance measurement has been claimed to be an element of organisations' management control systems (e.g. Neely *et al.*, 1994). The field of performance measurement has also been dominated by the concept of management control systems (Sinclair and Zairi, 1995a). Anthony (1988) defined management control as the process utilised by managers to ensure that resources are used effectively and efficiently in the accomplishment of the organisation's objectives.

However, Langfield-Smith (1997) argued that this definition not only restricts subsequent researchers to envisaging management control systems as encompassing the largely accounting-based controls of planning, monitoring of activities, measuring performance and integrative mechanism, but it also serves to artificially separate management control from strategic control and operational control.

Johnson (1992) and Johnson and Kaplan (1987), in addition, noted that the definition of management control relied heavily on responsibility accounting has lost its relevance for control purposes in today's rapidly changing business environment.

Alternatively, a management control system has also been described as a process for influencing behaviours (Flamholtz *et al.*, 1985). The system provides a means for gaining co-operation among collectives of individuals or organisational units who may share only partially congruent objectives, and channelling the efforts towards a specified set of organisational goals (Flamholtz, 1983; and Ouchi, 1979). The phenomenon resulting from the lack of such co-operation is often referred to as sub-optimisation—the pursuit by

managers of their own narrow objectives, at the expense of strategic coordination (Smith, 1995).

Controls have been categorised in many ways, for example, administrative and social controls (Hopwood, 1976); results, action, and personnel controls (Merchant, 1985); output and behaviour controls (Ouchi, 1977); and strategic and operational control (Langfield-Smith, 1997). However, controls can also be categorised, perhaps more visibly, into formal and informal controls (Anthony *et al.*, 1989; and Langfield-Smith, 1997).

Formal controls include rules, standard operating procedures, budgeting systems and performance measurement. Empirical research into management control systems and strategy has focused primarily on formal controls. These types of control are more visible, objective components of the control system, and thus, easier to research (Langfield-Smith, 1997). Langfield-Smith (1997) claimed that formal controls could be categorised into two types, being either feedback or feedforward in nature.

On the one hand, outputs or results controls are of a feedback nature, and often financially oriented. They include controls which aim to ensure that specific outcomes will be achieved, and involve monitoring, measuring and taking corrective actions. On the other hand, controls that are of a feedforward nature (ex-ante controls) include administrative controls (e.g. standard operating procedures and rules), personnel controls (e.g. human resource management policies) and behaviour controls (e.g. ongoing monitoring of activities and decisions).

While formal controls are usually stated clearly in the form of rules or standards, informal controls are not always consciously designed (Langfield-Smith, 1997). Informal controls include the unwritten policies of the organisation often derived from the organisational culture. An example of informal control is clan (social) control, described by Ouchi (1979) as derived from the shared values and norms, or the culture of the organisation.

Langfield-Smith (1997) noted that although clan controls are more often informal, some formal controls are also derived from the organisational culture. For example, the formal organisational mission or objectives may reflect the values and beliefs of the dominant culture. Flamholtz (1983) and Otley (1980) noted that informal controls are as important aspects of management control system as the formal controls because the effectiveness of formal controls may be dependent on the nature of the informal controls that are also in place.

Performance measurement is used primarily to monitor performance (Waggoner *et al.*, 1999). Traditionally, it has been developed as a means of monitoring and maintaining organisational control to ensure the achievement of overall goals and objectives (Nanni *et al.*, 1990). Oakland (1993) and Parker (2000) concurred on the notion that organisations measure performance to identify success. In addition, Parker (2000) noted that input measures have been widely used for the purpose of control. The main benefit of the input measures is that, when they are compared to outputs, efficiency and/or productivity can be known. However, performance measurement based solely on input measures is unlikely to be of strategic benefit.

This notion is consistent with that of Letza (1996), who claimed that the main function of performance measurement in a strategic context is to provide the means of control to achieve the strategic objectives required to fulfil the organisation's mission/strategy. Therefore, measures that are simply capable of measuring efficiency and/or productivity are unlikely to yield much benefit to the overall organisational strategy accomplishment. Wholey and Hatry (1992) also agreed that the major beneficiary of the performance data should be the management. That is, if the data are used solely for external accountability controlling purposes and not for helping managers to improve their performance, the results may not be worth the measurement costs:

However, criticism of the use of performance measurement for controlling purpose is, nevertheless, not uncommon. For example, Smith (1995) questioned whether performance data is a neutral reporting device. The author claimed that, to some extent, most of the data could be controlled by operational managers. If this argument is true, the use of performance data for management control purposes can be seriously undermined.

Even though performance measurement has its roots perhaps in the management control systems and is likely to be regarded as a management control tool, characteristics other than control seem to be of merit as well. For this reason, there has been a recent shift away from the use of performance measurement mainly for controlling purposes. Performance measurement has increasingly been regarded as a management tool that can be used for other purposes as well.

An additional shift, from the treating of financial data as the foundation for performance measurement to one among a broader set of measures, has also occurred (Eccles, 1991). Hanna *et al.* (2000) pointed out that a performance measurement system could enable organisations to develop a consistent pattern of behaviour on the part of individuals making decisions, which, in turn, makes the organisation strategy realisable.

Other than being used as a tool to realise the organisation strategy, performance measurement is capable of having great influence on the implementation of strategy, partly because of its capacity to influence behaviours (Hanna *et al.*, 2000; Neely *et al.*, 1994; and Neely *et al.*, 1995). Given that inappropriate performance measures encourage inappropriate behaviours, a performance measurement system is a fundamental activity for organisations. Overall, the use of performance measures mainly as a management control mechanism appears to be increasingly anachronistic due to their focus on ‘*control*’ as opposed to ‘*improvement*’ (Sinclair and Zairi, 1995a, 1995b, and 1995c).

2.3.2 Improvement

Performance measurement can also facilitate organisational learning and improvement (Lebas, 1995). Sink and Tuttle (1989) emphasised that perhaps the only valid reason for measuring performance is to support and enhance improvement. Harrington (1991) stated that measurement is *the beginning of improvement, because if you cannot measure the activity, you cannot improve it*. Parker (2000) and Waggoner *et al.* (1999) suggested that

performance measurement can help in identifying where problems exist, where improvements are necessary, and if improvement plans and effort actually happened.

The measuring of performance provides information on how well the improvement effort is working, thus making it an integral part that stimulates and supports continuous improvement (Hudson *et al.*, 2001; Miller, 1992; and Oakland, 1993). Thor (1991) added, that the measurement provides data supporting the re-directing of the organisations' scarce resources to the most attractive improvement activities.

2.3.3 Decision-making and judgement

Performance measurement is also an important aid to the making of judgements and to decisions (Parker, 2000). Performance data provide standards for establishing comparisons (Oakland, 1993), thus ensuring decisions are based on evidence, not on supposition, emotion, faith, or intuition.

2.3.4 Communication

Good communication demands a clear message (Lingle and Schiemann, 1996). Juran (1992) suggested, *vague terminology is unable to provide precise communication. It becomes necessary to say it in numbers.* Performance measurement can serve management's need for precise communication. By quantifying the efficiency and

effectiveness of actions (Neely *et al.*, 1996), management is able to communicate the performance of each sub-unit in the sub-organisational levels that convey common understanding. In so doing, performance measurement can improve organisational communication (Waggoner *et al.*, 1999)

2.3.5 Resource allocation

Parker (2000) suggested that by measuring performance, the substantiveness of the organisational processes may be validated. When the processes are validated, the task requirements for each activity become obvious (Miles and Snow, 1984), especially where performance measurement systems are being used to reflect performance drivers as well as performance results. This is because management can reallocate resources to the activities determined as the drivers in cause-and-effect relationships (see Kaplan and Norton, 1996a).

Thor (1991) stated that measurement helps an organisation direct its scarce resources to the most attractive improvement activities. Moreover, it can provide a direct stimulus to action, which, according to Oakland (1993), is a way of justifying the use of organisation's resources.

2.3.6 Influencing and motivating behaviours

Leandri (2001), Sinclair and Zairi (1995a), and Willis (2001) noted that performance measurement can profoundly affect the motivation of individuals because the individuals react to the way they are measured. Therefore, relating a performance measure to an organisational goal helps individuals better understand the purpose of the measure and why it is important. As a result, performance measurement can be used as a motivation-enhancing tool (Waggoner *et al.*, 1999). White and Flores (1987) indicated that performance improves if individuals are given targets, and is maximised if targets are seen as challenging but achievable. Moreover, inappropriate measures can also demotivate or steer off course the individual's performance.

2.3.7 Supporting long-term focus

Managers are often criticised for excessive focus on short-term results (Smith, 1995). In Smith's (1995) terminology, this can be seen as '*management myopia*', caused partly by lack of congruence between the time horizon of the managers and the time horizon of the projects for which she or he is responsible.

For example, if managers' remuneration and employment prospects are closely tied to their short-term performance, it is more likely that they will give projects with long-time horizons low priority. Appropriate performance measurement (e.g. measurement

incorporated with longer-term measures) can help ensure that managers adopt a long-term perspective (Goold and Quinn, 1990a; and Schuler *et al.*, 1991).

2.3.8 Managing change

In the current dynamic environment, organisations tend to encounter uncertainties both internally and externally. Internal to the organisations, there might be changes in objectives, cultures, working processes and human resources. These internal changes require modification to management activities appropriate to the new circumstances.

Maisel (1992) and Sieger (1992) suggested that performance measures must support these changes and management initiatives. This is especially important since the adoption of new management initiatives becomes common for many organisations.

In addition to the changes from within, most organisations operate in a context in which uncertainty, risk and complexity in the external environment may place more constraints on them than ever before (Dence, 1996). These constraints include an increase in market globalisation, pressures of international competition, and better-informed and more demanding constituents. Changes of this nature will force the organisations to adapt their internal capabilities, including the measurement systems supporting those changes.

For instance, Brignall (1992) suggested that performance measurement is a key agent of change in an attempt to change organisations' focus. Lingle and Schiemann (1996) noted

that performance measurement provides individuals within the organisation clear organisational objectives for focusing on organisation culture change more supportive of strategy.

In summary, the literature-based discussions in section 2.3 suggest that performance measurement can and should be used for various purposes, and should not be limited only to traditional controlling purposes.

2.4 Types of Performance Measures

Performance measures have been classified into many different types, including qualitative or quantitative (e.g. Ghobadian and Ashworth, 1994), short- or long-term (e.g. Amaratunga *et al.*, 2001; and Kaplan and Norton, 1996a, 1996b, 1996c, 1996d), internal or external (e.g. Keegan *et al.*, 1989), performance outcomes or performance drivers (e.g. Fitzgerald *et al.*, 1991), leading or lagging (e.g. McAdam and O'Neil, 1999), and tangible or intangible (e.g. Dangayach and Deshmukh, 2001; and Light, 1998).

However, performance measures may be more simply classified into financial and non-financial measures. In this section, therefore, the characteristics of both financial and non-financial measures, including their advantages and disadvantages, will be reviewed. This section will also demonstrate a movement away from emphasis upon the use of financial measures to those of a non-financial nature.

2.4.1 Financial measures

Traditionally, performance measures primarily have been based on management accounting systems (see, for example, Ghalayini and Noble, 1996; Johnson and Kaplan, 1987; and Willis, 2001). This has resulted in most traditional performance measures focusing on financial data (e.g. return on investment, return on sales, sales per employee, productivity, and profit per unit production). Eccles (1991) noted that one possible reason for financial measures carrying such weight in the period prior to the late 1980s was an assumption about their uniformed metric, comparable across sub-units within an organisation and also across organisations.

Even though traditional financial measures are assumed to be precise and objective (Parker, 2000), their downsides have been put forward by a number of authors both academics (see, for example, Eccles, 1991; Fawcett *et al.*, 1997; Fry and Cox (1989); Ghalayini and Noble, 1996; Kaplan, 1990; Kaplan and Norton, 1992; Lee *et al.*, 1995; Letza, 1996; and Skinner, 1985) and practitioners alike (see, for example, Drucker, 1993; Lynch and Cross, 1991; Parker, 2000; and Willis, 2001), including:

- Financial measures have been based primarily on outdated traditional cost management accounting systems, which have been criticised for their lack of applicability in today's market environment (Ghalayini and Noble, 1996; Hayes *et al.*, 1988; Kaplan, 1990; and Lee *et al.*, 1995). According to Ghalayini and Noble (1996), this is perhaps the most significant limitation of traditional financial performance measures.

- There are hidden costs incurred from using such measures (Kaplan, 1990), including the costs of:
 - tracking less important information such as direct labour cost and inventory cost
 - opportunities missed and resources wasted because of decisions based on accounting costs, such as the decision to outsource causing the company to miss an opportunity to learn.
 - shunning continuous improvement strategies because they will cut inventory.
 - failing to lower lot sizes for fear that unit costs will rise.
- Managing by an overemphasised use of information from such measures impedes performance because they are not able to track sources of competitiveness such as customer satisfaction, quality, flexibility, and dependability in today's global economy (Fawcett *et al.*, 1997; Kaplan, 1990; and Neely, 1999). According to Hayes and Abernathy (1980), the emphasised use of accounting-based measures was claimed as destroying the competitiveness of US manufacturing industry. It is possible for organisations to be misled by the simplistic concepts that promote the importance of focusing on financial measures when other criteria are, in fact, more critical (Skinner, 1985).
- Standard financial measures are lagging in nature (Drucker, 1993; Ghalayini and Noble, 1996; Kaplan and Norton, 2001a; McAdam and Bailie, 2002; Neely, 1999; and Parker, 2000). They were developed for regulatory and financial reporting. Therefore, these measures focus on reporting what has happened in the past and do not address strategy (McAdam and Bailie, 2002).

- Traditional financial measures fail to include less tangible factors (Parker, 2000) (e.g. customer relationships, innovative products and services, high-quality and responsive operating processes, and organisational climate), which by the end of the twentieth century, had become the major source of competitive advantage (Kaplan and Norton, 2001a).
- Financial measures encourage short-termism and can be counter-productive (Amaratunga *et al.*, 2001; and Neely, 1999). Therefore, exclusive reliance on these measures could promote behaviour that sacrifices long-term value creation for short-term performance (Porter 1992).
- Performance measurement based on traditional cost accounting systems promotes the local optimisation of resources rather than optimisation of the performance of the whole organisation (Fry and Cox, 1989).
- Financial measures lack strategic focus (Ghalayini and Noble, 1996; McAdam and Bailie, 2002; and Neely, 1999) because of their inability to link an organisation's long-term strategy with its short-term actions (Kaplan and Norton, 1996d).
- They are inflexible (Ghalayini and Noble, 1996; and Kaplan, 1990).
- They are expensive to use (Ghalayini and Noble, 1996).
- They may contradict continuous improvement initiatives (Ghalayini and Noble, 1996; Kaplan, 1990; and Neely, 1999). For example, they encourage minimisation of performance variance rather than continuous improvement (Johnson and Kaplan, 1987; and Lynch and Cross, 1991).
- They create data overload (Neely, 1999).
- They are internally focused (Kaplan and Norton, 1992).

- They are not capable of providing information of performance determinants (Ghalayini and Noble, 1996; and Willis, 2001) because performance data derived from such measures are the result of management performance, not the determinants or causes of it (Drucker, 1993).
- In practice, financial measures are not comparable because organisations use different accounting conventions (Eccles, 1991).

To discuss more specifically the limitations of the traditional accounting-based financial performance measures, three commonly known financial measures—productivity, cost, and profit—will be reviewed next.

Productivity measures

Productivity measures have been regarded as primary indicators of performance (Ghalayini and Noble, 1996). In extreme, authors such as Hayes *et al.* (1988) and Schmenner (1991) suggested the use of productivity by firms only as a measure of their performance. However, productivity measures are subject to some limitations.

Ghalayini and Noble (1996) noted that the limitations of productivity measures can be classified into three main categories, i.e. partial productivity, aggregate productivity, and productivity paradox. Edosomwan (1985) highlighted, on one hand, the danger of partial productivity in that it overemphasises one input and neglects others. On the other hand, aggregate productivity measuring can be difficult since inputs are homogeneous and some are intangible. In addition, the consideration of all inputs requires significant amounts of data that are time-consuming and costly to obtain. Armitage and Atkinson (1990)

maintained that aggregate measures are *misdirected, irrelevant, or too complex to be understood and effective in motivating performance*.

Additionally, Skinner (1986) argued that concentrating on improving productivity might cause a productivity paradox owing to the overemphasis on direct labour, which is no longer a significant portion of cost (Ghalayini and Noble, 1996; Johnson and Kaplan, 1987; Neely, 1999; and Skinner, 1985). Neely (1999) noted that the increasing use of advanced manufacturing technologies has changed percentage of direct labour cost from over 50 per cent during the 1950s and 1960s to rarely no more than 5 or 10 per cent of the cost of goods sold by the 1980s.

Direct labour cost now typically accounts for only a fraction of full product cost. Thus, reducing the cost of direct labour and/or increasing direct labour efficiency do not contribute significantly to the overall performance of the company. Therefore, a productivity paradox can occur when managers' excessive focus on the efficiency of factory workers and departments diverts attention away from improvement of the production system itself.

Cost measures

Reducing cost has always been considered an effective weapon to achieve competitive advantage (Ghalayini and Noble, 1996). Despite the realisation that companies do not compete solely on cost and price, Porter (1980) suggested that a company can gain competitive advantage over other competitors by tightening utilisation of its resources, thus becoming a cost leader in the business.

However, customers' demands have changed. Low cost is only one, and no longer the most important, factor for competing in most markets. Skinner (1986) argued that to be competitive, business should concentrate instead on quality, reliable delivery, short lead times, customer service, rapid product introduction, flexible capacity, and efficient capital deployment. The author noted that these are not cost reductions *per se*, but are essential to success in the market.

Even though cost certainly must be kept in check, this should be achieved by controlling cost drivers, not by curtailing spending or by controlling cost numbers (Kaplan, 1990). Reducing costs at the expense of any of these areas will be more harmful than helpful. Neely (1999) and Suwignjo *et al.* (2000) also concurred with the notion that the ever-changing environment has shifted management focus to strategies that include quality, flexibility, shorter lead time, delivery reliability as well as cost.

Profit measures

It is important to realise that when a company is making a profit, this does not necessarily imply that its operations, management and control systems are efficient. Profit as a performance measure can only reveal that there is a problem, but sheds little light on the nature and the reasons for that problem (Ghalayini and Noble, 1996).

Globerson (1985) countered the claim that profit or rate of return can and should be considered a composite indicator of the organisational success, reasoning that such an indicator does not help in identifying specific areas that need improvement. Moreover, considering the amount of profit alone as the basis of achievement for different plants may

be misleading, since each plant has its own circumstances, even when the plants produce identical products.

Notwithstanding all the above criticisms of the traditional cost accounting-based performance measures, Kaplan (1990) argued that although businesses still find it necessary to budget and track accounting-based results, they do so to monitor, not to control.

2.4.2 Non-financial measures

Since it appears that traditional accounting-based financial measures can be disadvantageous, businesses began to counterbalance overemphasis on the use of financial measures with non-financial measures (see, for example, Eccles, 1991; Ittner and Larcker, 1998a, 1998b; and Ittner and Larcker, 2003).

Ittner and Larcker, (1998b), based on previous case studies, have identified three principal forces for businesses to adopt more non-financial measures.

Perceived limitations in traditional accounting-based financial measures

There have been claims that traditional financial measures, relative to key non-financial indicators: (1) are too historical and backward looking, (2) lack predictive ability to explain future performance, (3) reward short-term or incorrect behaviour, (4) are not actionable, providing little information on root causes or solutions to problems, (5) do not capture key

business changes until it is too late, (6) are too aggregated and summarised to guide managerial action, (7) reflect functions, not cross-functional processes, within a company, and (8) give inadequate consideration to intangible assets such as intellectual capital and goodwill, which are difficult to quantify.

By incorporating non-financial indicators into their measurement systems, many businesses have sought to create a wider set of measures that capture not only firm value, but also the factors leading to the creation of value in the business.

Competitive pressure

The substantial changes in the nature and intensity of competition forced businesses to determine and measure the non-financial '*value drivers*', leading to success in the new competitive environment.

The greater emphasis placed on non-financial measures in businesses facing competitive pressure is consistent with research which finds positive associations between perceived environmental uncertainty and the demand for broad-based information systems incorporating non-financial indicators (e.g. Chenhall and Morris, 1986).

Consequence of other initiatives

Ittner and Larcker (1998a) also noted that businesses adopted non-financial measures as a consequence of improvement initiatives, for example, the total quality management (TQM) programmes, which required new performance indicators. The authors maintained that many of these initiatives require greater emphasis on customer requirements and customer

satisfaction with the firm's products or services, leading to greater emphasis on non-financial customer measures such as complaints, satisfaction and retention.

Additionally, Ghalayini and Noble (1996) recognised the trend towards more emphasis on non-financial measures by identifying two main different phases in the performance measurement literature stream. The first phase began in the late 1880s, continuing through the 1980s. In this phase, the emphasis was on financial measures such as profit, return on investment, and productivity. The second phase started in the late 1980s as a result of changes in the world market, coupled with the discovery of the flaws of financial measures.

The authors noted that in order to regain competitive advantage in the world market, businesses need not only to shift their strategic priorities from low-cost production to quality, flexibility, short lead-time and dependable delivery, but also to implement new technologies and philosophies of production management. Measures focusing on financial data (e.g. return on investment, return on sales, sales per employee, productivity, and profit per unit production) are no longer capable of providing business management with information on the source of competitive advantage in the changed market (Kaplan, 1990).

Other researchers also indicated that traditional financially-based performance measures have failed to measure and integrate all the factors critical to success of a business (Fisher, 1992; Ittner and Larcker, 2003; Johnson and Kaplan, 1987; Haynes *et al.*, 1988; Kaplan, 1983, 1984; and Maskell, 1992). Companies, which strive to become world-class but still

maintain the utilisation of financial measures based on management accounting systems, run the risk of failing (Daniels and Burns, 1997).

It is also important to recognise the differences between measurement of operating and accounting performance. Negative consequences might arise if the companies fail to detach their operating control from the accounting control system. Johnson (1992) provided an example of such consequence, observing that companies might lose opportunities (e.g. learning, redeploying redundant workers) if the outsourcing decisions are based solely on costs. In manufacturing in particular, opportunities to cut lot sizes are sometimes passed over for fear they will increase costs.

The organisations in the public sector as well as private firms also witnessed a shift in emphasis from the use of financial performance measures to the use of the non-financial measures. Kouzmin *et al.* (1999) observed this trend and noted that whereas in the 1980s the focus of performance measurement in the public sector was on the ‘*three Es*’—economy, efficiency, and effectiveness—in the 1990s the attention was shifted to quality and consumer satisfaction.

Even though this trend has occurred for some time, problems still exist. Amaratunga *et al.* (2001) noted that although several approaches to designing and implementing a system to provide non-financial measurement have been proposed, the problems of integrating non-financial measures with financial measures effectively still remain.

More recently, in a field and survey study, Ittner and Larcker (2003) discovered that most studied companies seem to have adopted boilerplate versions of a non-financial measurement framework (e.g. Balanced Scorecard). Those companies have made little attempt to identify areas of non-financial performance that might advance their chosen strategy. Nor have they demonstrated a cause-and-effect link between improvements in those non-financial areas and in the companies' long-term objectives (e.g. profit or stock price). Instead, they have adopted a measurement framework, mistaking it for an off-the-shelf checklist or procedure that is universally applicable and completely comprehensive.

In summary, the adoption of non-financial measures has also been problematic and subject to criticism.

2.5 Fundamentals of the Effective Performance Measurement

Performance measurement authors maintained that—to be effective—performance measurement must have certain fundamental characteristics. Even though different authors have different opinions on this matter, seven characteristics regarded as fundamentals of the effective performance measurement can be summarised. These include:

- The aggregation of sub-unit measures into global measures
- A balanced approach to the measurement
- The use of a vital few measures
- The commitment to the measurement

- The capacity for providing feedback
- The support of both internal and external changes
- The alignment between performance measurement and strategy

Each of these seven characteristics will be reviewed in turn.

2.5.1 The aggregation of sub-unit measures into global measures

A typical organisation comprises of sub-units that are both hierarchically and functionally different; therefore, it needs a series of performance measures designed to meet the requirements of different organisational parts (Ghobadian and Ashworth, 1994).

It is important that a performance measurement system is designed to relate local or functional measures to global measures, to ensure the activity is consistent with goals of the organisation. The measures should be integrated throughout the organisation, so that various functional areas across organisational levels work together for the good of the organisation (Willis, 2001).

In addition to the consistency of measures across organisational functions and levels, Parker (2000) suggested that sub-unit measures must aggregate into organisation-wide measures. The measurement at sub-unit levels should furnish the raw data for the level of aggregation, and no part of the organisation should be left out of the measurement.

Although Kaplan and Norton (2001b) appeared to agree that measurements must be linked and integrated, the authors argued that measures at sub-unit level do not have to add to higher organisational levels. Management at the sub-units should be able to choose local measures that influence but are not necessarily identical to the higher organisational levels' measures. However, the measures at sub-unit level should support progress against the whole organisations' predetermined objectives, without suboptimisation (Amaratunga *et al.*, 2001; and Leandri, 2001).

2.5.2 A balanced approach to the measurement

A balanced approach to the measurement of performance is another characteristic that has often been referred to as fundamental to effective performance measurement. Kaplan and Norton (1996c) argued that a balanced performance measurement is not merely a collection of financial and non-financial measures in various categories, but an integrated set of measures developed from a '*theory of the business*' that explicitly links the performance measures in a causal chain of performance drivers and outcomes.

In order for measurement to have a balance, measures used need not be overemphasised in any specific types of measure. In other words, to gain a balance of the measurement, a performance measurement system should consist of multidimensional measures (e.g. Sinclair and Zairi, 1995b).

The balance of measures has raised more concerns since the growing realisation of the flaws in accounting-based financial measures. As discussed earlier in section 2.4, organisations depending solely on financial figures to determine their performance are likely to overlook other important aspects omitted by those figures. For this reason, organisations have attempted to balance their financial measurement with non-financial measurement.

The concept of a balanced approach to the measurement has also been extended beyond the balance of financial and non-financial dimensions of the measurement. This extension is, as Nanni *et al.* (1992a; and 1992b) described, the moving towards '*integrated performance measurement*'. Fawcett *et al.* (1997) suggested that it is important to establish a comprehensive view of performance measures that indicate the overall health of an organisation.

However, in the absence of the agreement on how '*balanced*' the balanced approach should be, many performance measurement commentators have offered various dimensions of the balance, including a balance between:

- Financial and non-financial measures (Amaratunga *et al.*, 2001; and Keegan *et al.*, 1989)
- Qualitative and quantitative measures (Ghobadian and Ashworth, 1994)
- Short- and long-term measures (Amaratunga *et al.*, 2001; and Kaplan and Norton, 1996a, 1996b, 1996c, 1996d)
- Internal and external measures (Keegan *et al.*, 1989)

- Performance outcomes and performance drivers (Fitzgerald *et al.*, 1991; Kaplan and Norton, 1996a; and Leandri, 2001)
- Leading and lagging measures (McAdam and O'Neill, 1999)
- Tangible and intangible measures (Dangayach and Deshmukh, 2001;and Light, 1998)

White (1996) noted that part of the reason for the lack of consensus on what and how many dimensions of performance measures constitute the balanced approach of measurement is the obvious need for each organisation to use measures which are relevant to its own situation.

Despite no explicit answers with regard to which components are to be balanced within a '*balanced*' performance measurement approach (see, for example, Ittner and Larcker, 1998b), the concept is useful because it cautions managers against overemphasis on particular aspect(s) of performance—as many businesses did in the past—by placing an emphasis on the financial aspect of performance when other underemphasised aspects would be more important.

2.5.3 The use of a vital few measures

White (1996) suggested that a common basis for selecting performance measures would seem worthwhile because it not only helps management to ensure that important variables are being measured correctly, but also avoids an unnecessary proliferation of measures.

Since performance measurement requires organisational resources and effort, measuring too many aspects of performance may trivialise those resources as well as the exerted effort. This can occur in particular when organisations focus on measuring activities, rather than the results (Lingle and Schiemann, 1996). Therefore, it is essential for the organisations to identify a vital few measures in order to avoid the proliferation of performance measures (Johnsen, 2001; Kaplan and Norton, 1992; and Sinclair and Zairi, 1995c) and to make measures relevant and easy to maintain (Hudson *et al.*, 2001). Stainer and Stainer (1998) suggested that the selection of the vital measures should include enough measures to ensure completeness but not so many as to lose focus. Too many measures will compete for an organisation's attention, which ultimately reduces the effectiveness of the measures and results in their simply being ignored (Leandri, 2001).

Additionally, Johnston and Fitzgerald (2001) and Johnston *et al.* (2002) argued that the trend towards a more structured and balanced approach to performance measurement is leading managers to become swamped with measures and information to such an extent that they spend their time feeding the measurement systems rather than focusing on management and action. Ittner and Larcker (1998b) also noted that studies on information overload suggest that a large number of measures can reduce performance by exceeding managers' processing capabilities when making judgements.

Johnston and Fitzgerald (2001) suggested that managers should manage their business rather than manage performance measurement, and that performance measurement should be used as a management facilitator, not merely as the *raison d'être*. Johnston *et al.* (2002), therefore, offered a word of caution by proposing a notion of '*good enough*' performance

measurement. Based on case studies, the authors claimed that the managers are willing to trade off performance measurement as an activity against decision-making and action, with a focus on improvement rather than control, providing managers with the time and space to focus on relevance and action.

The use of the vital few measures and a balanced approach to the measurement can thus be seen as a trade-off. On the one hand, an attempt to introduce additional measures to cover more performance dimensions may improve the balance of measurement. However, on the other hand, adding more measures can readily lead to performance measures proliferation, contradictory to the need for only a vital few measures.

Managers attempting to gain a balanced coverage of performance measurement are likely to encounter the problem of measures proliferation. For this reason, the managers should be aware of the possible trade-off between the advantages of the balanced coverage of the measures and the disadvantages of measures proliferation. As a result, if managers attempt to measure their organisational performance in a '*balanced*' way by including a larger number of measures, they should not overlook the possible undesirable consequences because the benefit of including more measures is unclear (Ittner and Larcker, 1998b).

2.5.4 The commitment to the measurement

As with other management initiatives, in which success depends at least partly on the commitment from organisation members, for performance measurement to be effective, it should receive commitment throughout the organisation.

Ghobadian and Ashworth (1994) suggested that everyone in the organisation should regard performance measurement as an ongoing and evolving process which requires the full support from both top management and other non-management employees (Hudson *et al.*, 2001). Dence (1996), in addition to highlighting the importance of ongoing commitment to performance measurement, added that organisational resources and management effort devoted to implementing the measurement regime should not be underestimated.

Many of the commentators in support of the view that the commitment to measurement is a fundamental of effective performance measurement, have addressed the importance of the commitment from the senior management in particular (e.g. Parker, 2000; Sinclair and Zairi, 1995b; Theurer, 1998; and Waggoner *et al.*, 1999). For example, Parker (2000) noted that it is essential that the top management of the organisation fully support the measurement regime because they have an obligation to communicate the organisation's intentions and reasons for implementing such a system (Theurer, 1998). To achieve this, the management must communicate the purposes and nature of the measurement regime so efficiently that employees at lower levels are able to understand and be committed to the measures; they need to know what is expected of them, and why.

2.5.5 The capacity for providing feedback

Strategy itself can be viewed as a set of hypotheses about cause-and-effect relationships (Kaplan and Norton, 1996c), in which an organisation hypothesises that a set of activities in strategy will lead to the accomplishment of the organisation's strategic goals. Therefore, it is necessary for the organisation to ensure that the set of hypotheses about cause-and-effect relationships implied in the strategy is valid.

Kaplan and Norton (1996c) noted that an organisation's strategy can be tested and validated by the use of performance measurement. The authors asserted that for performance measurement to be effective, it must be capable of providing '*double-loop*' feedback (see, for example, Argyris, 1982).

The authors also suggested that, to understand the concept of a double-loop feedback system, it would be helpful to compare it with a single-loop feedback system, in which the objective remains constant, and any departure from the planned trajectory is seen as a defect to be remedied. This single-loop process does not require re-examination of either the strategy or the techniques used to implement it in light of current conditions. This implies that strategy and its derived objectives are always valid.

However, most organisations today operate in a turbulent environment with complex strategies that, though valid when they were launched, may lose their validity as conditions change. In this kind of environment, organisations must become capable of double-loop

learning—the learning that produces a change in organisations’ assumptions and theories about cause-and-effect relationships.

In addition to informing of the deviation from the pre-established objectives of performance to be remedied (as in the single-loop feedback system), a double-loop feedback system can also suggest the validity of the existing strategy, which may need an adjustment in light of the change of external environment and internal capabilities.

In light of this, the ability to give feedback that not only influences performance, but also challenges the validity of the organisation’s strategy is also regarded as another fundamental to the effective performance measurement. As Johnston *et al.* (2002) suggested, performance measurement should focus on management actions by providing data facilitating of improvement and organisational learning, not on measurement *per se*.

In addition to providing fast and accurate feedback information (Hudson *et al.*, 2001), measurement must have an effect on performance. Parker (2000) suggested that performance data should be analysed to ensure that they are translated into action and behaviour which change the nature of activity and of performance.

2.5.6 The support of both internal and external changes

Keegan *et al.* (1989) noted that performance measurement must support the organisation’s multidimensional environment, both internal and external. This is what Suwignjo *et al.*

(2000) regarded as the dynamics of the performance measurement system. The dynamic nature of the internal and external environment implies that performance measurement should be flexible and capable of change as the environment changes.

Daniels and Burns (1997) highlighted a shift of attention in performance measurement systems, away from the prescriptive and highly formalised measuring systems to those that are more contingent on the situation of the organisation, including its history, internal politics, and management style. The authors asserted that the contingent approach of performance measurement provides the facility to identify internal and external forces at work and the resulting forms towards which the organisation will be pulled.

It has long been accepted that performance measurement systems have a life-cycle, and that they are only valid as long as the environment remains unchanged, because any significant change in the organisational environment may invalidate the systems (Suwignjo, *et al.*, 2000). It is, thus, important that a performance measurement system has the capacity to recognise these changes as soon as possible so that the system can be adapted to reflect better the new environmental situations.

2.5.7 The alignment between performance measurement and strategy

A number of commentators have suggested that performance measurement should be aligned with organisational strategy (see, for example, Atkinson and McCrindell, 1997; De Toni and Tonchia, 2001; Dixon *et al.*, 1990; Goold and Quinn, 1990a, 1990b; Johnsen,

2001; Kaplan, 1990, 2001; Kaplan and Norton, 1996a, 1996b, 1996c, 1996d; Langfield-Smith, 1997; Lingle and Schiemann, 1996; Lockamy III and Smith, 1997; McAdam and Bailie, 2002; Mendibil *et al.*, 2002; Neely, 1999; Neely *et al.*, 1995; O'Mara *et al.*, 1998; Parker, 2000; Schmenner and Vollmann, 1994; Skinner, 1969; Wheelwright, 1978; and Willis, 2001). That is to say, performance measurement should have linkages to organisational strategic objectives (e.g. Ghobadian and Ashworth, 1994; and Ittner and Larcker, 2003).

Among a number of authors contending that performance measurement should align and support the implementation of these objectives, Lockamy III and Spencer (1998), for example, noted that one of the features of performance measurement systems used in world-class manufacturing environments is that they must be consistent with the manufacturing objectives. The measures used should reinforce the importance of certain strategic objectives (Skinner, 1969). The congruence of measures and objectives helps an organisation to link its operations to strategic goals (Hudson *et al.*, 2001).

According to Ittner and Larcker (2003), a means by which performance measures and strategy may be linked is by choosing measures on the basis of causal models (also called value driver maps), which lay out the plausible cause-and-effect relationships that may exist between the chosen drivers of strategic success and outcomes. In addition, Kaplan and Norton (1996d) suggested that performance measurement linked with strategy also influences employees' behaviours.

Considering the dynamics of the organisation's strategy, Parker (2000) suggested that performance measurement must be reviewed regularly to ensure its alignment with strategy; otherwise changes in priorities resulting from changes in strategy may render performance measurement irrelevant, or even counterproductive (Wholey and Hatry, 1992).

The existence of a substantial amount of literature regarding the alignment between performance measurement and strategy suggests this issue to be key in performance measurement, and yet it is underresearched.

2.6 Notable Performance Measurement Frameworks

Academics in the field of performance measurement have proposed many performance measurement frameworks/approaches, the most notable being:

- The balanced scorecard approach (Kaplan and Norton, 1992)
- The results and determinants framework (Fitzgerald *et al.*, 1991)
- The performance pyramid (Lynch and Cross, 1991; and McNair *et al.*, 1990)
- The performance measurement questionnaire (Dixon *et al.*, 1990)
- Benchmarking (Dence, 1996; Fowler and Campbell, 2001; and Kouzmin *et al.*, 1999)
- The EFQM (European Foundation for Quality Management) business excellence model (EFQM, 2001)
- The Cambridge performance process (Neely *et al.*, 1996)

- SMART—Strategic Management Analysis and Reporting Technique (Lynch and Cross, 1991)
- The performance prism (Kennerley and Neely, 2000; and Neely, 2001)
- Data envelopment analysis (Norman and Stoker, 1991)
- The service performance network (Johnston and Clark, 2001)
- The service profit chain (Heskett *et al.*, 1997)
- The performance measurement for world-class manufacturers (Maskell, 1992)

Of all the above, the first three frameworks/approaches appear to have been more frequently referred to, and will, thus, be explored respectively.

2.6.1 The balanced scorecard approach

Since Kaplan and Norton (1992) introduced a performance measurement approach known as the Balanced Scorecard (BSC), many performance measurement commentators have paid much attention to the framework. As a result, there is a plethora of balanced scorecard literature authored by both academics and practitioners.

The evolution in the balanced scorecard literature appears to comprise of at least three main stages, including (1) the embodiment of non-financial measures, (2) the involvement of strategic management, and (3) the application to not-for-profit organisations. Each of these stages will be reviewed in turn.

The embodiment of non-financial measures

In its first stage, the balanced scorecard approach was originally introduced on the premise that exclusive reliance on financial measures in a management system was inadequate (Kaplan and Norton, 1992), its most important purpose being to include more non-financial measures to balance the exclusive reliance on financial measures.

Non-financial measures—it was claimed—were not new phenomena. General Electric, for example, made use of non-financial measures in the 1950s (see, for example, Anthony *et al.*, 1989; Johnston *et al.*, 2002; and Nørreklit, 2000) by identifying areas of measurement, and applied all of them in the assessment of each division.

Nørreklit (2000) outlined a number of theorists who pointed to the relevance of non-financial measures, including Eccles (1991), Hopwood (1976), Maciariello and Kirby (1994), Merchant (1985), and Parker (1979). Nevertheless, Kaplan and Norton's (1992) article has often been accredited as the introductory writing of the balanced scorecard approach.

In Kaplan and Norton (1992), the authors portrayed a balanced scorecard as a set of measures providing top managers with a fast but comprehensive view of the business. The authors compared the importance to senior business managers of a balanced scorecard with the importance to a pilot of a set of dials and gauges in an aeroplane cockpit. The commonality is that both the dials and gauges and the balanced scorecard provide multidimensional data at a glimpse. The former presents flight information to the pilot and the latter depicts the overall health of a business to its senior managers.

The authors maintained that managers should not have to choose between financial and operational measures because no single type of measure is capable of providing a clear performance target or focus attention on the critical areas of the business. Managers require a balanced presentation of both financial and operational measures.

A balanced scorecard includes financial measures that communicate the results of actions already taken, and complements these measures with the operational measures pertaining to customer satisfaction, internal processes, and the organisation's innovation and improvement activities. The authors indicated that these operational measures are the drivers of future financial performance.

Kaplan and Norton (1992) explained that a balanced scorecard allows managers to view their business from four important perspectives and provides answers to four basic questions:

1. Customer perspective: How do customers see us?
2. Internal business perspective: What must we excel at?
3. Innovation and learning perspective: Can we continue to improve and create value?
4. Financial perspective: How do we look to shareholders?

Even though, in this early stage, the balanced scorecard concept revealed that the measures should derive from the company's strategy, the involvement of the measurement approach with strategic management became more explicit in the second stage of the balanced scorecard literature.

The involvement of strategic management

In the second stage of the balanced scorecard literature, the balanced scorecard approach was involved more explicitly with strategic management (Johnston and Fitzgerald, 2001; Kaplan and Norton, 1996a, 1996b, 1996c, 1996d, 2001a, and 2001b). The framework was claimed to go '*beyond measurement to management*'. As Kaplan and Norton (2001a) stated:

Originally, the Balanced Scorecard was thought as performance measurement. Later the concept evolved from a performance measurement system to become the organising framework, the operating system, for a new strategic management system.

Kaplan and Norton (1996a, and 1996d) also stated that the balanced scorecard prompted four strategic management processes:

1) Translating the vision For people to act on the words in vision and strategy statements, those statements must be expressed as an integrated set of objectives and measures, agreed upon by all senior executives, that describe the long-term drivers of success. The exercise of developing operational measures compels executives to clarify the meaning of the strategy statement. The balanced scorecard forces senior managers to arrive at a consensus and then to translate their vision into terms that had meaning to the people who would realise the vision.

2) *Communicating and linking.* The balanced scorecard allows managers to communicate their strategy up and down the organisation, and to link it to departmental and individual objectives. The scorecard provides managers with a way of ensuring that all levels of the organisation understand the long-term strategy and that both departmental and individual objectives are aligned with it.

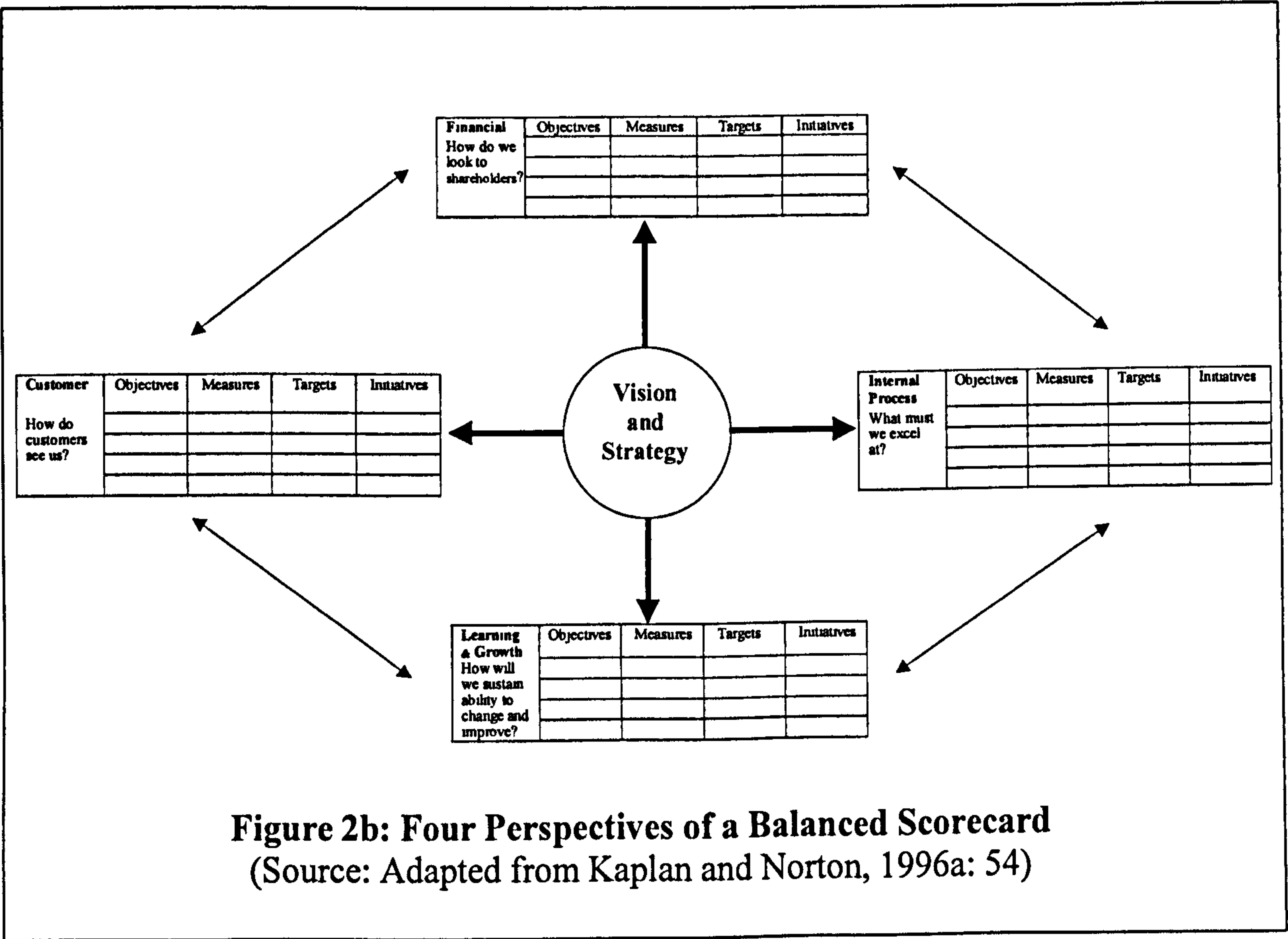
3) *Business planning.* Once the strategy is defined and the drivers are identified, the scorecard influences managers to concentrate on improving or reengineering those processes most critical to the organisation's strategic success. That is how the scorecard most clearly links and aligns action with strategy.

4) *Feedback and learning.* The balanced scorecard also highlights gaps in employees' skills and in information systems. The first three management processes—translating the vision, communicating and linking, and business planning—are vital for implementing strategy, but they are not adequate in an unpredictable world. Together with the feedback and learning processes brought about by the balanced scorecard, an organisation's strategy can be tested and validated. Therefore, the balanced scorecard may be regarded as capable of providing double-loop feedback, already mentioned in section 2.5.5.

Kaplan and Norton (1996a) maintained that the balanced scorecard is different from traditional performance measurement systems in which the main purposes are to control behaviour and to evaluate past performance. Managers can use the scorecard as a communication, information and learning system, not merely as a traditional control system. For the balanced scorecard to be used in this way, however, the measures must

provide a clear representation of the organisation’s long-term strategy for competitive success.

Figure 2b illustrates the four perspectives of a balanced scorecard as a strategic management tool.



The application of a Balanced Scorecard to not-for-profit organisations

More recently in its third stage, an attempt was made to apply the balanced scorecard concept to non-profit organisations (Kaplan, 2001). The authors claimed that even though the initial focus and application of the balanced scorecard was in the for-profit sector, the opportunity for it to improve the management of nonprofits should be even greater.

The framework's features were said to be adaptable to suit the characteristics of the non-profit organisations. The adaptable features included the change in priority of the measurement perspectives and the expansion of definition for customers.

For the change in priority of measurement perspective, most non-profit organisations were claimed to have difficulty with the original architecture of the balanced scorecard approach, which places the financial perspective at the top of the hierarchy. Kaplan (2001) suggested that it is appropriate for non-profits to rearrange the perspectives by placing the customer perspective or even an overarching mission objective at the top of their scorecard. For a non-profit, however, the agency's mission represents the accountability between it and society—the rationale for its existence. The mission should therefore, be featured and measured at the highest level of its scorecard.

Another suggested modification is that non-profit organisations need to expand the definition of who their customers are. In a private sector transaction, customers both pay for the service and receive the service. The two roles are so complementary that many people are not aware that the two are separable.

In contrast, in a non-profit organisation, donors or sponsors provide the financial resources—they pay for the service, whereas another group receives the service. Therefore, it is difficult to indicate decisively whether the one paying or the one receiving the service is the customer. Rather than making such a decision, non-profit organisations can place the donor/sponsor perspective and the recipient perspective in parallel, at the top of their balanced scorecard.

To summarise, the balanced scorecard framework appears to have received much attention both from academics and practitioners alike, and to be one of the most popular performance measurement frameworks to date. The balanced scorecard publication has accounted for not a small portion in the body of performance measurement/management literature (see, for example, Amaratunga *et al.*, 2001; Butler *et al.*, 1997; Gautreau and Kleiner, 2001; Hagigi, 1999; Hudson *et al.*, 2001; Johnsen, 2001; Kaplan and Norton, 1992, 1996a, 1996b, 1996c, 1996d, 2001a, 2001b; Kloot and Martin, 2000; Lawrie and Cobbold, 2004; Letza, 1996; Light, 1998; Lingle and Schiemann, 1996; Littlewood, 1999; Maisel, 1992; McAdam and Bailie, 2002; McAdam and O’Neil, 1999; and Nørreklit, 2000). Some of these publications will be reviewed next.

Hudson *et al.* (2002) noted that the popularity of the balanced scorecard has acted as a catalyst for further research into the characteristics of, and approaches for developing, strategic performance measurement systems. Sinclair and Zairi (1995a) also considered the balanced scorecard to have been developed for the purpose of strategic performance reporting.

Johnsen (2001) stated that the balanced scorecard measurement system comprises an acclaimed balance between financial versus non-financial, internal versus external stakeholders, and short-run versus long-run performance drivers. According to Amaratunga *et al.* (2001), through this type of system, the organisation monitors both its current performance and its efforts to improve processes, motivate and educate employees, and enhance information systems—that is, its ability to learn and improve.

Nørreklit (2000) maintained that the balanced scorecard is a tool which systematically expands the measurement areas traditionally involved in accounting. It, thus, aims to contribute to reducing the problems involved in using only financial measures for the purposes of control. It inserts non-financial measurements in a strategic control framework, so that they are not merely loosely coupled local systems, but linked together in a causal chain, which passes through the entire organisation. For this author, the balanced scorecard is not just intended as a measurement system, but also as a control system.

Many performance measurement commentators have highlighted the strengths of the balanced scorecard approach. For example, Johnsen (2001) noted that the balanced view of management control and strategy implementation, with emphasis on decision relevance, is the main innovation of the approach. Nørreklit (2000) noted that, central to the balanced scorecard is the cause-and-effect chain, which distinguishes the model from other performance measurement approaches. Ghalayini and Noble (1996) also highlighted two main strengths of the balanced scorecard approach; that it summarises in one management report many seemingly disparate elements of a company's competitive agenda, and it prevents sub-optimisation by forcing senior managers to consider all operational measures at the same time.

There is evidence to suggest that a number of business organisations have implemented the balanced scorecard system which supplements traditional accounting measures with non-financial measures focused on at least three other perspectives—customers, internal business processes, and learning and growth (Ittner and Larcker, 1998b). An example of the evidence of balanced scorecard usage comes from the Hackett Benchmarking

Solutions, a US management consultancy, which surveyed 1,400 global businesses. The study indicated that almost fifty per cent of the companies applied some kinds of the balanced scorecard approach (Littlewood, 1999).

In spite of its popularity, strengths and widespread adoption within many organisations, the balanced scorecard approach also has downsides. Shortfalls of the approach have been highlighted by several commentators (see, for example, De Hass and Kleingeld, 1999; Gautreau and Kleiner, 2001; Johnston and Fitzgerald, 2001; McKenzie and Shilling, 1998; Morgan, 1998; Nørreklit, 2000; and Sinclair and Zairi, 1995a). Criticisms of both theoretical and practical aspects of the balanced scorecard approach have been made.

Perhaps the most severe criticism of this approach is the concern over the validity of the assumptions underpinning the approach. De Hass and Kleingeld (1999) questioned the approach's assumption of an *a priori* strategy. These authors viewed that the framework takes the processes of strategy formulation and control system designs as sequential and linear, while overlooking the parallel and iterative nature of the processes.

Moreover, Nørreklit (2000) maintained that since the framework is a high-profile model which has attracted much attention from both practitioners and academics, it is important to be assured of the model's validity. The author queried the validity of particular assumptions in a feedforward control system, which, if invalid, will cause anticipation of performance indicators that are faulty, resulting in dysfunctional organisational behaviour and sub-optimal performance. The author also noted as problematic the description of the

cause-and-effect relationships among measures from the four perspectives in a balanced scorecard.

While some authors (e.g. Ghalayini and Noble, 1996) regarded as a strength of the balanced scorecard the attempts to integrate four important performance perspectives in one simple and easy-to-use management report, others critiqued it for its over-simplicity (e.g. Sinclair and Zairi, 1995a).

Another frequently raised theoretical concern over this approach is its omission of some measurement perspectives. For example, Neely *et al.* (1995) noted that the balanced scorecard has a serious weakness because it does not inform managers about the activities of business competitors. In these authors' view, the competitor perspective is missing from the balanced scorecard's measurement perspectives.

In addition to the balanced scorecard's theoretical shortfalls, commentators pointed to some practical shortfalls of the approach. Johnston and Fitzgerald (2001) noted that the current fashion for balanced, integrated performance measurement systems has led managers to focus on improving the accuracy of the measures used rather than managing the business. The authors also noted that the balanced scorecard approach—to some degree—confuses managers about the implementation of the measurement system. Moreover, the approach is likely to lead to a proliferation of performance measures (Gautreau and Kleiner, 2001).

Although determining performance measures in a scorecard is often more difficult than expected (McKenzie and Shilling, 1998), managers also need to focus on the cause-and-effect relationships in strategy in order to link measurement with strategy. However, the scorecard does not provide guidance as to how to improve performance to achieve the desired strategic results (Morgan, 1998). More importantly, the scorecard provides little guidance as to how performance measurement can be used in support of strategy, especially when strategic changes occur.

Sinclair and Zairi (1995a) argued that the scorecard itself does not provide a complete performance measurement system, but rather a tool for senior managers to monitor performance against strategic and operational objectives. Moreover, Ghalayini and Noble (1996) also commented that the main weakness of this approach is that it is primarily designed for senior managers to provide them with an overall view of performance. Thus, it is neither intended for, nor applicable at, the operational level.

The implementation of a balanced scorecard is also difficult. A typical scorecard may take several months to implement. An additional number of months may be needed to fine-tune the structure. Total development time is often one year or longer (McKenzie and Shilling, 1998). Even when the scorecard is already in place, it must be constantly updated. This also has a negative impact because it requires considerable time and resources to keep the scorecard updated and effective.

However, Lawrie and Cobbold (2004) noted that despite empirical evidence of weaknesses of the balanced scorecard led to the improvement of the approach throughout its evolution, there are still opportunities for further improvement.

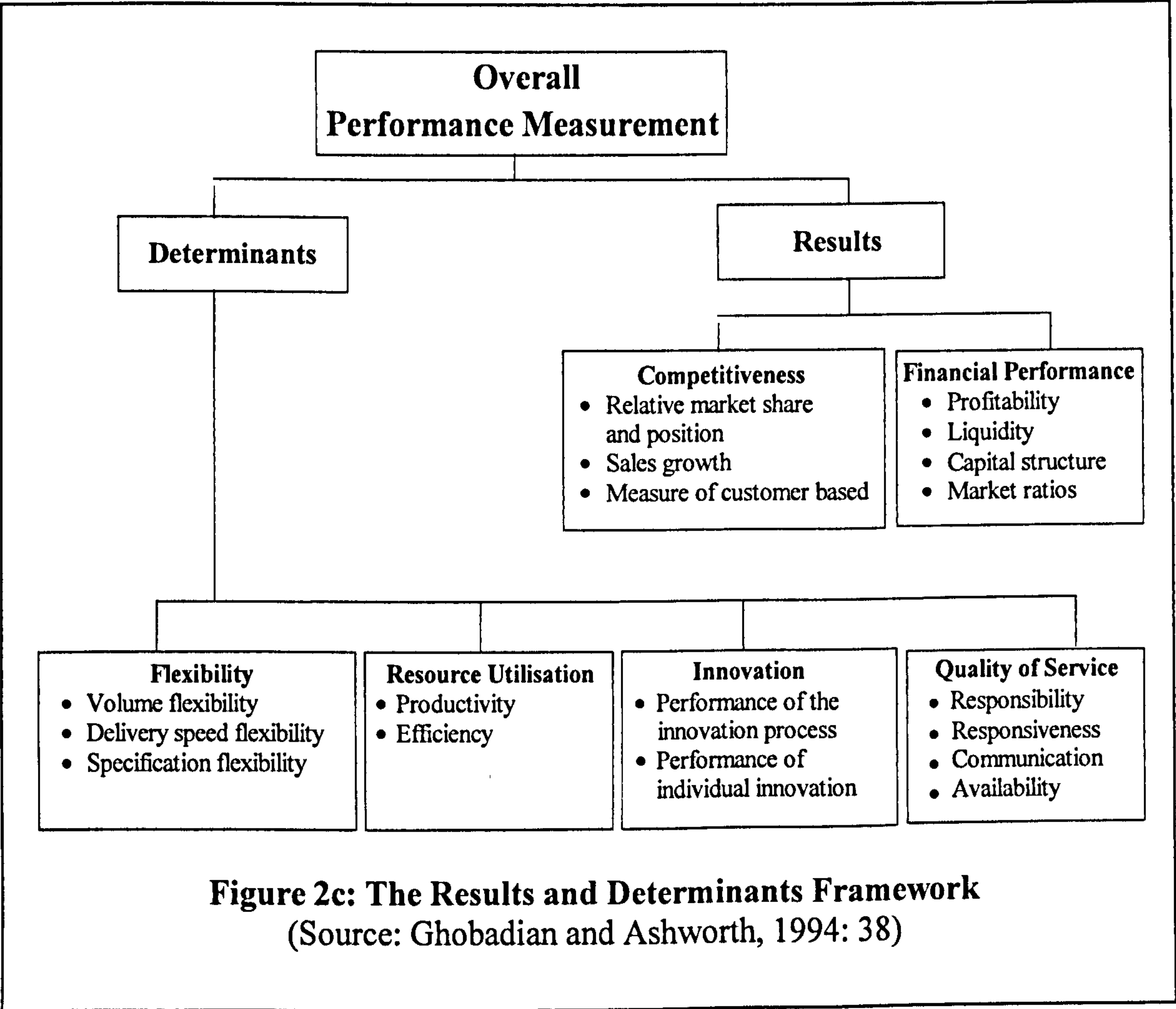
2.6.2 The results and determinants framework

Fitzgerald *et al.* (1991) proposed a performance measurement framework, particularly for service businesses, known as the results and determinants framework.

There are two focused areas of measurement within this framework, namely, the '*results*' and the '*determinants*'. The former is the resultant success of the chosen strategy, and the latter are the determinants of competitive success (Stainer and Stainer, 1998). This framework is similar to the balanced scorecard in that it complements financial measures with other non-financial measures.

The results and determinants framework comprises of six different categories of measures. While the '*results*' area of measurement comprises of two categories of measures (i.e. competitiveness and financial performance), the '*determinants*' measurement comprises of four categories (i.e. flexibility, resource utilisation, innovation, and quality of service). Each category contains various measures. Fitzgerald *et al.* (1991) argued that the relevance and exact nature of the chosen measures are dependent on contingency factors.

Figure 2c below diagrammatically summarises the results and determinants framework.



Fitzgerald *et al.*'s (1991) idea of differentiating the measures of performance results from the measures of performance determinants is similar to the concepts proposed by others, for example, Kaplan and Norton's (1996b, 1996c, 1996d) '*outcome*' versus '*driver*' measures and McAdam and O'Neill's (1999) '*lagging*' versus '*leading*' measures. This idea is also in accordance with Sinclair and Zairi's (1995b) comment that to be able to make changes in the hope of an improving performance, there should be an understanding of the drivers of the performance. The drivers of performance refer to the activities, which,

if changed, will, in turn, have an expected effect on performance. This concept tends to be based on the assumption of cause-and-effect relationships of an activity and its result.

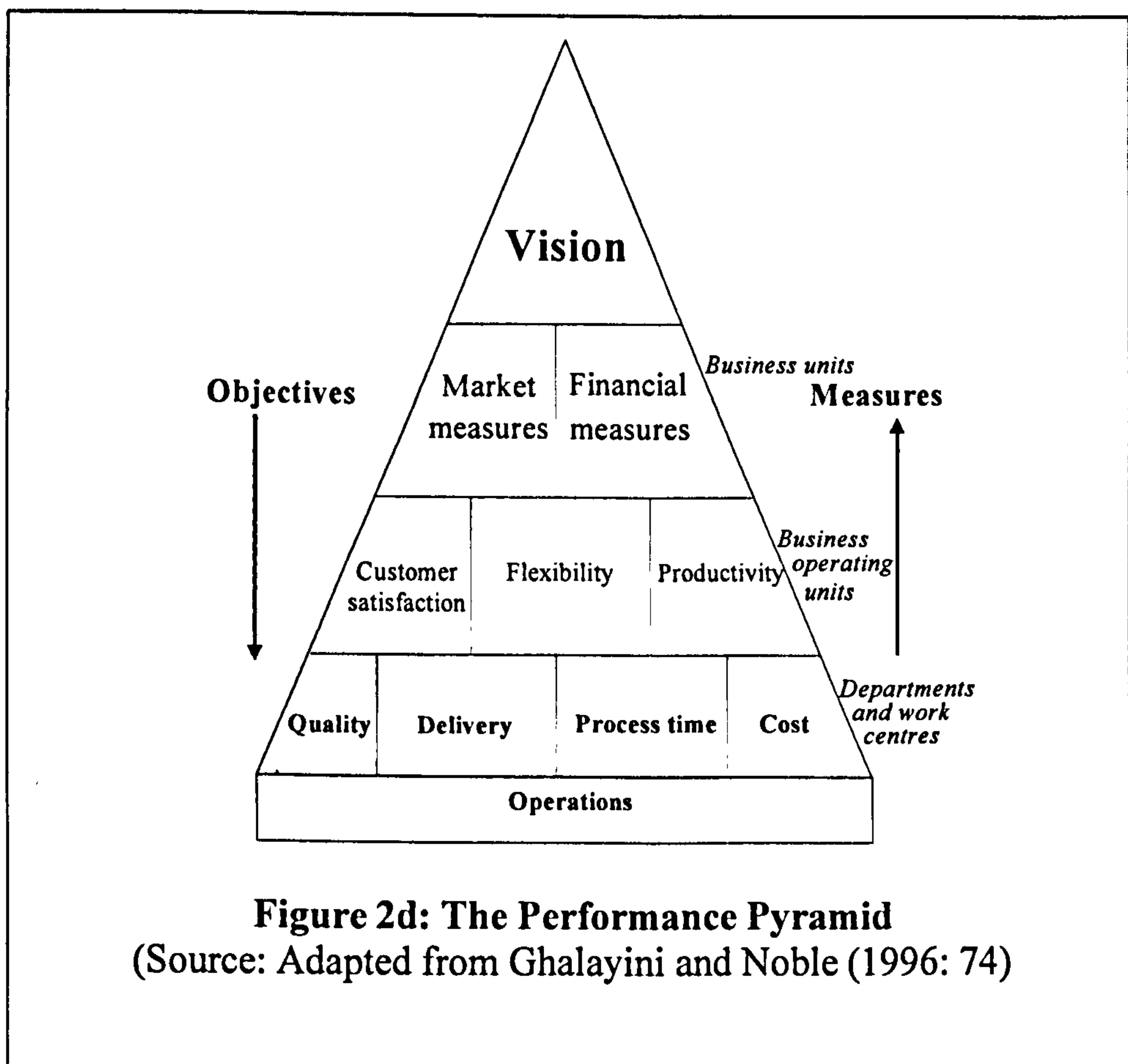
Even though the results and determinants framework appears to be less popular than the balanced scorecard approach, there is evidence of the application of the framework. Brignall and Ballantine (1996), for instance, offered an example of the successful implementation of this framework in not-for-profit local government services.

2.6.3 The performance pyramid

Lynch and Cross (1991) described a pyramid of measures, also known as the Strategic Management Analysis and Reporting Technique—SMART system, which integrates performance through the hierarchy of the organisation.

Principally, the performance pyramid of the SMART system has the external focus through the use of market measures, and the internal focus through the financial measures (White, 1996). It has been recommended that, in department and business operating system levels, more concrete measures should be used.

The SMART system is presented in the following figure 2d, depicting a four-level pyramid of objectives and measures following the organisational vision.



Cross and Lynch (1989) and Lynch and Cross (1991) noted that it is important for a performance measurement system to be dynamic, so that performance measures remain relevant and continue to reflect the issues of importance to the business. Therefore, the implementation of an appropriate performance measurement system will ensure that actions are aligned to strategies and objectives.

Other authors commented that the SMART system has both strengths and weaknesses. For example, Ghalayini and Noble (1996) commented that the main strength of the system is its attempt to integrate corporate objectives with operational performance indicators. However, one weakness is that it does not provide any mechanism for identifying key performance indicators. Additionally, White (1996) argued that the SMART system is a

perplexing framework because it requires different measures to be used at different levels of the organisational hierarchy.

2.7 Summary

Performance measurement has been recognised as an important management tool, having roots in the manufacturing sector, where its main use was for controlling purposes. However, performance measurement is important and gaining more attention from other sectors (i.e. non-manufacturing and public sector). Moreover, performance measurement has also been used for wider purposes than that of control.

Performance measures are more often classified into financial and non-financial measures. Traditionally, there appeared to be an overemphasis on financial measures. However, owing to the various drawbacks that might be created by these measures, as well as to changing organisational competitive environment, non-financial measures have been used more.

Drawbacks related to the unbalanced use of measures have also drawn the attention of scholars to other aspects of balance in the performance measurement system, especially the balance between measuring performance outcomes and performance drivers.

There emerged the notions that performance measurement should have a position in the strategic management context and that a strategic performance measurement system is

capable of supporting organisational long-term focus and objectives. As a result, a number of strategic performance measurement frameworks have been put forward, perhaps the most famous being the Balanced Scorecard.

To date, there seem to be five gaps in the performance measurement literature:

- There is a lack of consensus in operationalising the key terms in performance measurement/management study.
- Performance measurement frameworks are predominantly for-profit sector oriented, or at least developed from that sector. Until recently, there has been a gap in the literature on the application of performance measurement frameworks in not-for-profit/public sector.
- The proposed performance measurement frameworks integrating financial and non-financial measures appear to be problematic.
- The meaning of the '*balance*' of measures is unclear.
- Despite the notion that performance measurement should be positioned in a strategic management context, there is a limited understanding of the link between performance measurement and strategy.

This final gap is selected to be the focus of this research. It is therefore, important to explore the link between performance measurement and strategy in greater detail. While this chapter reviews this link from the performance measurement perspective, it is appropriate to explore the link from the strategic management perspective in the next chapter.

CHAPTER 3

Strategic Management

3.1 Introduction

The review of performance measurement literature in the previous chapter suggested several gaps in the body of literature. The particular gap chosen as the focus of this research is the limited understanding of the link between performance measurement and strategy. The objectives of this chapter are (1) to review strategic management literature, and (2) to review the performance measurement-strategy link from a strategic management perspective.

This chapter does not set out to review all strategic management literature; nor is this possible, considering the enormous content to be covered and the limited length of the present thesis. Moreover, such a comprehensive review is not necessary in view of the fact that this research has a clearly specified focus on the link between performance measurement and strategy.

This chapter will review six important issues in strategic management literature, including:

- Range of definitions of strategy
- Dimensions of strategy and strategy typology

- Strategic management in a dynamic environment
- Concepts of deliberate and emergent strategy
- Integration of strategies
- Linkages between performance measurement and strategy

3.2 Range of Definitions of Strategy

There appears to be a lack of consensus with regard to the definition of strategy (see, for example, Bracker, 1980; and McGee, 2003), for different authors defined the term differently. Table 3a exhibits an updated chronology of definitions of strategy based partly on the work of Bracker (1980). The bold key terms identify common threads in these definitions.

Authors	Definitions of Strategy
Von Neumann and Morgenstern (1947)*	A series of actions by a firm that are decided on according to the particular situation.
Drucker (1954) *	An analysis of the present situation, changing it if necessary. Incorporated in this is finding out what one's resources are or what they should be.
Chandler (1962) *	The determinant of the basic long-term goals of an enterprise, the adoption of courses of action and the allocation of resources necessary for carrying out these goals.
Ansoff (1965) *	A rule for making decisions determined by product/market scope, growth vector, competitive advantage and synergy.
Cannon (1968) *	The directional action decisions required competitively to achieve the company's purpose.
Learned <i>et al.</i> (1969) *	The pattern of objectives, purposes, or goals and major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.
Newman and Logan (1971) *	The forward-looking plans that anticipate change and initiate action to take advantage of opportunities that are integrated into the concepts of mission of the company.
Schendel and Hatten (1972) *	The basic goals and objectives of the organisation, the major programmes of action chosen to reach these goals and objectives, and the major pattern of resource allocation used to relate the organisation to its environment.
Mintzberg (1973)	A pattern of decisions about the organisation's future.
Uyterhoeven <i>et al.</i> (1973) *	A provision of both direction and cohesion to the enterprise, composed of several steps: strategic profile, strategic forecast, resource audit, strategic alternatives explored, tests of consistency and, finally strategic choice.
Ackoff (1974) *	A concern with long-range objectives and ways of pursuing them that affect a whole system.
Paine and Naumes (1975) *	Specific major actions or patterns of actions for the attainment of the firm's objectives.
McCarthy <i>et al.</i> (1975) *	An analysis of the environment and selection of economic alternatives that will match the corporate resources and objectives at a risk commensurate with the profit and viability which the alternatives offer.
Glueck (1976) *	A unified, comprehensive, integrated plan designed to ensure the achievement of objectives.
McNichols (1977) *	An element in policy formulation, comprising a series of decisions reflecting the determination of basic business objectives and the utilisation of skills and resources to attain these goals.
Steiner and Miner (1977) *	The forging of company missions, setting objectives for the organisation in light of external and internal forces, formulating specific policies and strategies to achieve objectives, and ensuring their proper implementation so that the basic purposes and objectives of the organisation will be achieved.
Mintzberg (1979) *	A mediating force between the organisation and its environment: consistent patterns in streams of organisational decisions to deal with the environment.
Schendel and Hofer (1979) *	The provision of directional cues to the organisation that permit it to achieve its objectives while responding to the opportunities and threats in its environment.
Jauch and Osborn (1981)	The combination of environmental, contextual, and structural elements affecting an organisation at any one time.
Porter (1991)	The creation of a unique and valuable position.
Wilkinson and Monkhouse (1994)	The operating rationale of the organisation.
Bryson (1995)	A pattern of purposes, policies, programmes, actions, decisions, and/or resource allocations that defines what an organisation is, what it does, and why it does it.

*Referenced in Bracker (1980)

Table 3a: A Chronology of Definitions of Strategy
(Source: Expanded from Bracker, 1980: 221-2)

From the above table, it can be seen that in spite of the range of definitions of strategy, they appear to have in common a number of characteristics. The bold key terms represent these common characteristics, which include the regarding of strategy as relevant to directions, patterns, actions, resources, long-term objectives, and situations.

Mintzberg *et al.* (1998) noted that the lack of consensus with regard to defining strategy generates inconsistency in the interpretation and the application of strategy. The authors noted that a more comprehensive definition of strategy is needed and argued that strategy is not only a plan, but requires at least all five aspects of definition inclusively. Thus, they proposed that strategy is:

- A '*plan*' of action into the future
- A '*pattern*' that is consistent in terms of behaviour over time
- A '*position*' an organisation wishes to attain within its environment
- A '*perspective*' of an organisation's way of doing things
- A '*ploy*' intended to outwit an opponent or competitor

Likewise, Neely *et al.* (1994) and Simons (2000) recognised strategy as more than a plan. In comparison to plans, strategy is recognised as much more complex because it evolves as decisions are made and courses of actions are pursued (Neely *et al.*, 1994). A strategy, as well as being a plan, also represents an organisation's perspective, position, and patterns in action.

The problem of defining strategy is probably fundamental to the three main areas of disagreement with regard to the concept of strategy. Hofer and Schendel (1978) noted that the major disagreements in three primary areas of strategy study include the breadth of the concept of strategy, the components of strategy, and the inclusiveness of the strategy-formulating process.

Bracker (1980) noted that since the arguments regarding the definition of strategy have long existed and are likely to continue, researchers may need to move from a concern about definitions of the concept to a consolidation of terminology. This would facilitate the empirical testing of hypotheses as part of an attempt to validate or reject traditional constructs and to develop useful applications to organisational studies.

However, despite the continuing arguments over the definition of strategy, there exists a need for consistent use of the term throughout this research. Therefore—in light of the review of the existing definitions—in this research, strategy means:

A set of directions guiding consistent patterns of an organisation's actions and resource allocation to attain its long-term objectives according to the particular situations

3.3 Dimensions of Strategy and Strategy Typology

In this section, two dimensions of strategy (i.e. process and content) and three types of strategy (i.e. corporate, business, and functional strategy) will be reviewed.

3.3.1 Dimensions of strategy

Strategy is typically conceptualised in two ways, i.e. strategy process and strategy content, each of which will be explained in turn.

Strategy process

Strategy process is the process by which strategies are developed, the ‘*how*’ of strategy, in the sense of how strategy is formulated, implemented and controlled (Hannagan, 2002). This may include considering the ‘*position*’ of the organisation in its environment, and the ways it uses its resources. Grant (1995) suggested that an organisation could also use the strategy process as a communications mechanism to establish coordination within the organisation.

Strategy content

Strategy content is the product of a strategy process. It is concerned with the ‘*what*’ of strategy—what is or will be the strategy for the organisation and its various sections and parts? In business organisation, this content is often considered at corporate, business, and

functional levels. These three types of strategy will be reviewed in the following section 3.3.2.

In addition to strategy process and content, Hannagan (2002) noted that each problem that arises in strategic management also has context. The author maintained that strategy context is the set of circumstances under which both the strategy process and content are determined—the ‘*where*’ of strategy in a particular company and a specific environment. At least for this author, strategy is three-dimensional in the sense that it has characteristics of process, content and context—the ‘*how*’, ‘*what*’, and ‘*where*’ of strategy.

3.3.2 Strategy typology

Authors in the strategic management field have offered a range of different typologies for strategy (see, for example, Gupta and Govindarajan, 1984; Miles and Snow, 1984; and Porter, 1985). However, it appears to be commonly acknowledged that strategies can be realised through consistency of decision-making and actions (Mintzberg, 1978; and Neely *et al.*, 1994). In order to facilitate the consistency of an organisation’s decision-making and actions, strategies may exist at different organisational levels as well as in many managerial activities (Johnson, 1987).

Literature on business strategic management typically has distinguished between corporate, business, and functional strategy (see, for example, Bowman and Helfat, 2001; Grant, 1995; and Simons, 2000). These three types of strategy will, thus, be reviewed in turn.

Corporate strategy

Corporate strategy is the pattern of objectives, purposes or goals and essential policies or plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in, and the kind of company it is or is to be (Hannagan, 2002).

Corporate strategy deals with the ways in which a corporation manages a group of businesses (Grant, 1995).

In addition, Langfield-Smith (1997) and Simons (2000) noted that corporate strategy defines the way that a firm attempts to maximise the value of the resources it controls within the business domain it operates. Corporate strategy decisions focus on where corporate resources will be invested. Questions such as, '*what businesses should we compete in?*' or '*what level of resources should we invest across our portfolio of businesses?*' are typical of corporate-level resources allocation decisions.

Business strategy

In comparison to corporate strategy, business strategy is narrower in scope. Simons (2000) noted that a business strategy deals with the ways in which a single-business firm or an individual business unit of a corporate firm competes within a particular industry or market by indicating how to create value for customers and differentiate itself from competitors in the marketplace.

Brignall (1993) noted that large and diversified corporate firms operating in uncertain, dynamic and competitive environments usually adopt the concept of strategic business unit (SBU), in order to decentralise decision-making responsibilities. That is because local

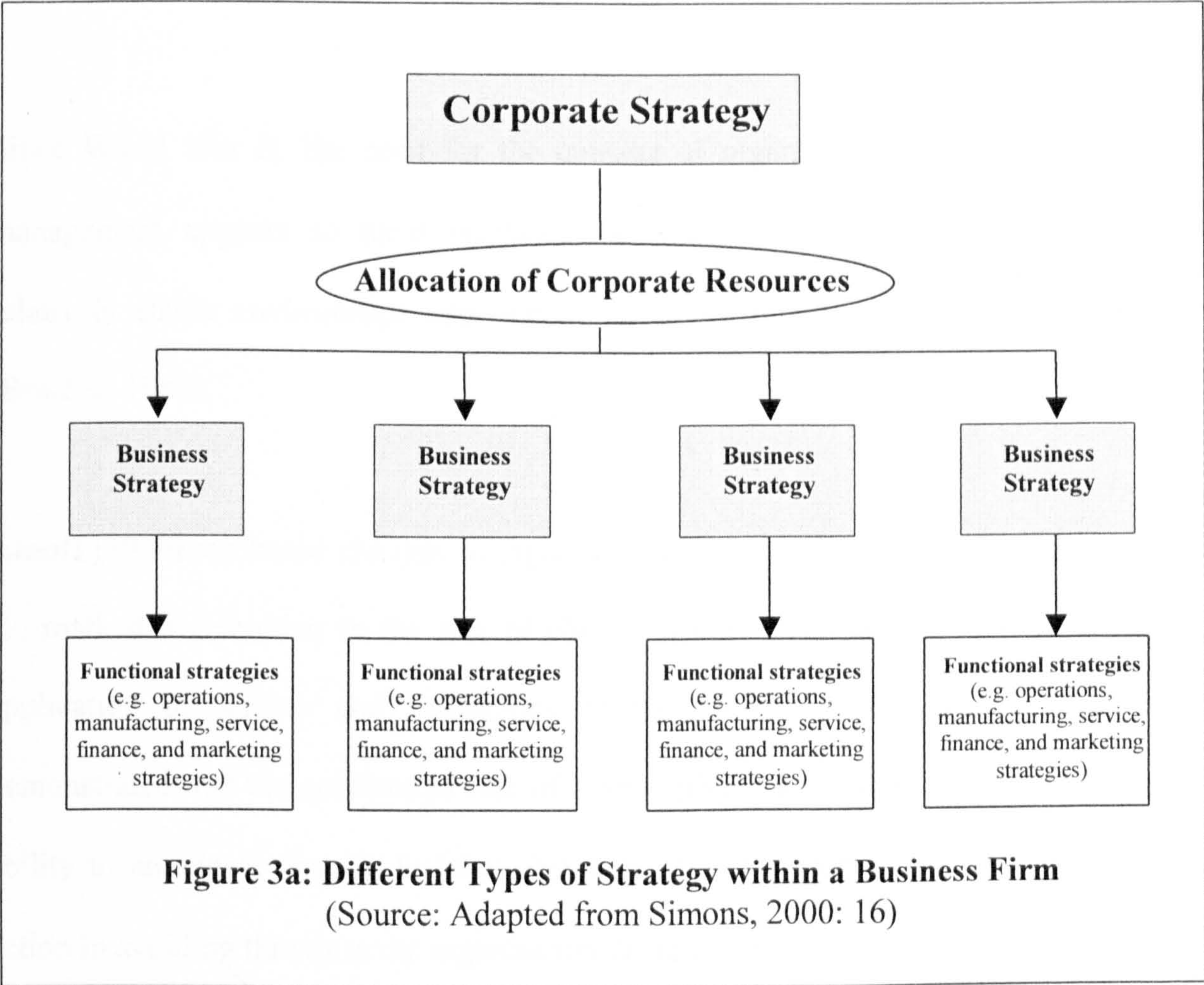
managers at the business unit levels tend to know their local market better than central managers.

Additionally, Langfield-Smith (1997) noted that business strategy, also known as competitive strategy, relates to each business unit of the organisation. It focuses on how individual units compete within their particular industries, and the way that each unit positions itself in relation to competitors.

Functional strategy

An individual business unit may employ various types of functional strategies, in order to facilitate its main business strategy. That is to say, business strategy is an integration of functional level strategies for a distinct set of products and services that are intended for a specific market (Hannagan, 2002). Examples of the functional strategies a business may use include operations, manufacturing, service, finance, and marketing strategy.

Figure 3a illustrates the above three types of strategy at different organisational levels and in various functional activities.



It is important that a firm’s strategies are integrated and aligned with each other. That is, at the corporate level, strategy requires the integration and alignment of the various business level strategies and of all other functional strategies being used to facilitate those business strategies as well. The integrations of strategies will be explored in detail later in section 3.6.

3.4 Strategic Management in a Dynamic Environment

Since World War II, the need for the concept of organisational strategy and strategic management appears to have increased because organisations have moved from a relatively stable environment into one that is more rapidly changing and competitive (Bracker, 1980).

Ansoff (1969) attributed changes in organisational environment to two significant factors: (1) marked acceleration in the rate of change within organisations, and (2) accelerated application of science and technology to the process of management. The author demonstrated that the accelerated rate of change placed a premium on the management's ability to anticipate change, to take advantage of new opportunities, and to take timely action in avoiding threats to the organisation. In addition, new technologies spurred interest in, and acceptance of, analytic and explicit approaches to decision-making that enhanced management's ability to deal with the increasingly uncertain future.

However, the extent of the dynamics which organisations have encountered may differ considerably. Ansoff (1984) noted that at one extreme, some organisations continue to enjoy a relatively placid existence, while others experience a very high degree of turbulence. The level of environmental turbulence has become a driving force which may require strategic management and adjustment (Miles and Snow, 1984) and dictate strategic responses necessary for success (Ansoff and Sullivan, 1990).

Neely (1999) noted that strategic change is also affected by other factors, including the changing nature of work, increasing competition, specific improvement initiatives, and changing external demands. These factors altogether can result in organisations becoming less capable of predicting future changes.

In the business context, an example of the environmental change is that private firms are now competing in markets where value rather than cost is the primary driver (see, for example, Neely, 1999). Therefore, the required strategies will have changed accordingly in order for the firms to deal with the changing environments. Strategic changes, in turn, are likely to require changes in organisational structure as well as processes and activities. Therefore, the organisations that are more capable of making a strategic response in a timely and proper manner will be more likely to gain competitive advantage over their rivals.

In summary, the major importance of strategic management in a dynamic environment is that it provides organisations with a framework for developing the capacity to anticipate and cope with change. In a dynamic environment, organisations become likely to depend more on the emergent strategies and less on the deliberate ones. The concepts of deliberate and emergent strategy will be reviewed next.

3.5 Concepts of Deliberate and Emergent Strategy

A widely accepted approach in the study of strategy formation process is the differentiation between leadership plans and intentions, and what the organisations actually did. The former is known as '*intended strategy*', and the latter '*realised strategy*'. In order to understand the differences between intended and realised strategies, it is important to explore the concepts of deliberate and emergent strategy.

3.5.1 Deliberate strategies

Mintzberg and Waters (1985) noted that for a strategy to be perfectly deliberate, the following three conditions at least must be met. Firstly, there must be precisely articulated intentions in the organisation to eliminate any doubts about what is desired before any actions are taken. Secondly, individuals within the organisation must share a common understanding about the articulated organisational intentions. Thirdly, the intentions must be realised exactly as intended without interfering external forces (e.g. market, technological, political).

These criteria are collectively used mainly to differentiate between perfectly deliberate strategies and those that are perfectly emergent. Therefore, in reality, it is unlikely to find any perfectly deliberate strategies in organisations. However, some strategies have more of the above characteristics than others and can, thus, be considered as being more deliberate in nature.

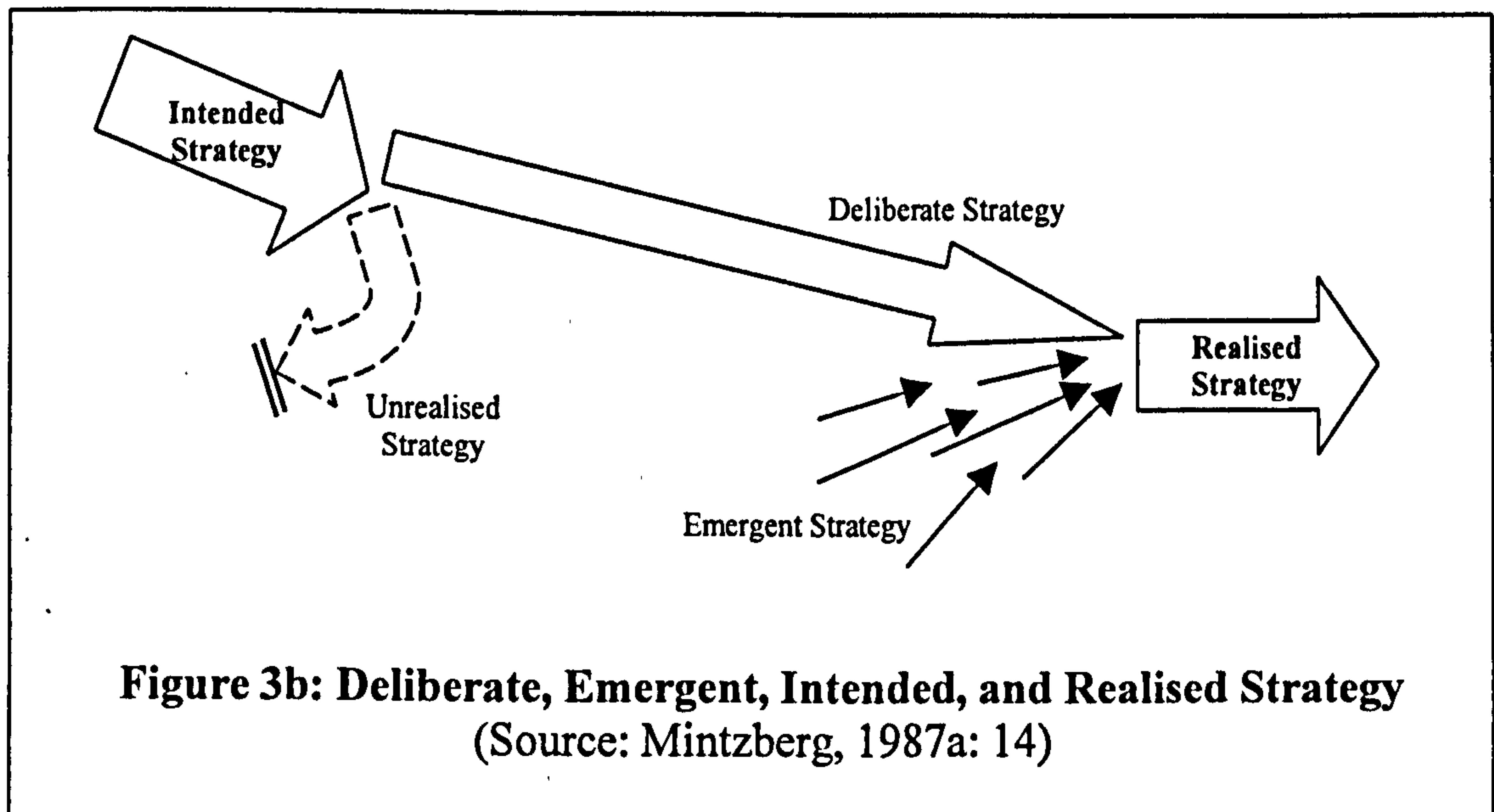
Additionally, Grant (1995) noted that the deliberate strategy is a result of rational, top-down strategy formulation based on implicit assumptions about the strategy-making process (e.g. strategy formulation is the preserve of top management).

3.5.2 Emergent strategies

For a strategy to be perfectly emergent, the actions must be consistent over time without being intended. Again, since this criterion is mainly used to distinguish purely emergent strategies from other kinds, it is difficult to witness the existing perfectly emergent strategies in real-world organisations. However, some strategies may be regarded as more emergent than others if their characteristics fit better with this criterion

Mintzberg and Waters (1985) noted that it is more likely to expect tendencies towards either deliberate or emergent strategies rather than perfect forms of each. In effect, both form the poles of a continuum along which real-world strategies are expected to fall. Whereas the more deliberate strategies tend to emphasise central direction and hierarchy, the more emergent ones open the way for collective action and convergent behaviour.

Figure 3b illustrates the relationships among deliberate, emergent, intended and realised strategies.



From the above figure, it can be seen that not all intended strategies are actually realised because the strategies realised can also be emergent without prior intention.

3.6 Integration of Strategies

Grant (1995) suggested that not only can a strategy help to achieve consistency in decisions over time—in complex organisations—a strategy can also serve as a useful vehicle for achieving consistency of decision-making across different functions and individuals. Since there may exist many strategies within an organisational boundary, strategies should be managed to ensure that a certain degree of integration is maintained. Strategic management therefore, can be considered as the central management process that integrates all major activities, and functions and directs them towards advancing an organisation's strategic agenda (Poister and Streib, 1999).

Jenkins *et al.* (2002) commented that whilst it may be convenient to see strategy from a unitary perspective when studying organisational strategy, such a perspective cannot adequately explore such complex phenomena. Instead, a range of perspectives on strategy is preferred. The authors argued that organisational strategy is concerned with at least three perspectives, including (1) the organisational, (2) the environmental, and (3) the individual. Each of these strategic perspectives interacts and combines to create a dynamic set of ideas that form the basis of strategic management. In these authors' view, each perspective highlights distinct important aspects of different organisational processes.

The authors further noted that the strategic agenda requires researchers to move between these three basic perspectives constantly, and to understand the dynamics between them, as well as to explore each one in depth. This complexity arises from the need for questions that address different levels of analysis and different dynamics relating to organisations and their strategies.

In addition, Poister and Streib (1999) appeared to concur with the notion that strategic management is relevant to organisations at various levels. Strategic management is integrative in nature in the sense that it focuses attention across functional divisions and throughout organisational levels on common goals; tying internal management processes and programme initiatives to desired outcomes in the external environment; and linking short-term decisions to long-term objectives.

Skinner (1985) asserted the importance of the integration of strategies, noting that despite the existence of different functional strategies, each key functional area must have the

common objectives derived from an organisation's overall strategy. Such congruence can produce an organisational system that does the important but limited things well. The lack of strategic integration potentially renders execution of strategy problematic (Ballantine and Brignall, 1994).

Even though strategic management seems obvious and straightforward, frequently, the interrelationship among strategies and actions, for example, is not easily grasped. The notion is simple enough—that strategies place particular demands on any organisational actions, and that the actions should, in turn, be specifically designed to fulfil the task demanded by strategy. More elusive is the set of cause-and-effect relationships that determines the linkage between actions and strategies and among various organisational strategies (Skinner, 1985). Kaplan and Norton (1996a) noted that these cause-and-effect relationships are essential, since the strategy itself is a set of hypotheses about cause-and-effect.

Moreover, strategies do not exist in a vacuum. Johnsen (2001) suggested that strategy is the match between an organisation's internal capabilities and external relationships, and that strategy implementation is the balancing of internal and external demands. Miles and Snow (1984) also observed the relationship between an organisation's strategy, structure, and management processes and environmental factors outside the organisation's control. The authors asserted that successful organisations achieve strategy both by designing it to fit with the external environment and by supporting it with appropriately designed structures and management processes.

In summary, not only are an organisation's strategies required to integrate internally with other processes and activities, but also externally with the organisation's environment.

3.7 Linkages between Performance Measurement and Strategy

To facilitate strategy implementation, it is essential for an organisation not only to have an integration of strategies, but also coordination between strategies and other organisational activities (Lockamy III and Cox, 1995). An organisation can attain the coordination between strategies and activities leading to performance by measuring strategic performance—the process by which the organisation integrates its performance with strategies and objectives (Bititci *et al.*, 1997). Since objectives become actionable only when their measurement is added (Simons, 2000), performance measurement can facilitate strategy implementation because it assists in the translation of strategy into measurable results (Lingle and Schiemann, 1996).

Performance measurement has often been regarded as closely related to strategy because it assists in:

- Monitoring the implementation of strategy
- Coordinating activities which can result in organisational coherence
- Informing strategic direction
- Communicating priorities

- Reducing ambiguity and confusion, and perhaps more importantly
- Aligning short-term actions with long-term strategy

In addition, Simons (2000) noted that performance measurement is at the root of effective strategy implementation for two reasons. First, it provides the analytic discipline and communications channels necessary to formalise the organisation's strategies and to ensure that strategic objectives are communicated throughout. Second, performance measurement is the primary vehicle for monitoring the implementation of the strategies because it helps evaluate the achievement of strategic objectives (Ittner and Larcker, 1998b), which can be made actionable only when measurement is attached to it.

Kaplan (2001) also noted the effects of performance measurement on the implementation of strategy. The author explained that in general, strategy statements lead to diversity in the way in which individuals interpret them in their everyday work. Organisational objectives and strategies often mask real disagreement about what the organisation is attempting to accomplish. By quantifying and measuring the strategy, organisations reduce ambiguity and confusion about objectives and methods. By communicating expected performance and measures throughout the organisation, individuals are able to align their day-to-day actions while helping the organisation achieve its strategic objectives

Since individuals appear to act responsively to what is measured, performance measures can be used to influence behaviour and, thus, affect the implementation of strategy (Skinner, 1971). The measures assigned to the individuals will communicate a different set of priorities and allow subordinates to infer the strategic direction that senior management

wish to follow. To bring strategies to life, management must use specific objectives and measures to communicate the organisational direction to subordinates (Simons, 2000).

Therefore, performance measurement helps individuals to gain coherence and focus in pursuit of organisational objectives. This characteristic of performance measurement makes it an important element of a strategic control system (Neely *et al.*, 1994). Otherwise, performance measures focus on local operational improvements rather than on whether the strategy is being achieved. For this reason, Kaplan (2001) and Simons (2000) asserted that the beginning of any performance measurement system has to be a clear strategy statement.

Performance measurement facilitates strategic management (Neely *et al.*, 1994) by assisting managers in tracking the implementation of business strategy through a comparison of actual results with strategic goals and objectives (Simons, 2000). In view of this, it is essential to keep the performance measurement system consistent with the changing strategy. By use of performance measurement, managers may be informed of the results of the changing organisational decision-making processes and actions resulting from the changes in strategy (Neely *et al.*, 1994).

This is especially important for the organisation whose environment is highly dynamic because for such organisations to achieve their strategic objectives, the strategy may be forced to change (Neely, 1999), which, in turn, requires the adaptation of performance measurement. Strategic management, together with supporting performance measurement systems, enable organisations, even in a turbulent environment, to develop the capacity to

deal with uncertain future by defining appropriate procedures and actions for accomplishing goals (Bracker, 1980).

In summary, it appears that an important link between performance measurement and strategy is the way in which performance measurement helps to uphold the alignment between actions and strategy, which requires an appropriate performance measurement system adaptation that accords with any change in the organisation's strategy.

It is important to note that the reviews of both performance measurement literature in Chapter 2 and strategic management in this chapter suggest the importance of the alignment between performance measurement and strategy. It is therefore appropriate to review the literature on the alignment between performance measurement and strategy in the next chapter.

3.8 Summary

The review of strategic management literature suggested that debate surrounding the definition of strategy has long existed and is likely to continue. However, among a range of definitions of strategy proposed by commentators, various common characteristics of strategy can be noted.

Despite the absence of consensus with regard to the meaning of strategy, it is important to be consistent throughout this thesis when referring to the term. In view of this, the

characteristics of strategy common to a range of definitions already reviewed have been integrated to produce the following definition employed throughout this thesis. For the purposes of the present research, strategy means:

A set of directions guiding consistent patterns of an organisation's actions and resource allocation to attain its long-term objectives according to the particular situations.

Strategy is typically conceptualised in two respects, i.e. strategy process and strategy content. Strategy process is the process in which strategies develop, the 'how' of strategy. Strategy content is the product of a strategy process, the 'what' of strategy.

In the business context, strategy has often been classified into corporate strategy, business strategy, and functional strategy. Corporate strategy deals with the ways in which a corporation manages a set of businesses together. A business strategy deals with the ways in which a single-business firm or an individual business unit of a corporate firm competes within a particular industry or market. An individual business unit may employ various types of functional strategies (e.g. operations, manufacturing, and marketing strategy), in order to facilitate its main business strategy.

In today's dynamic environment, strategic management is important for organisations because it provides a framework for developing the capacities for anticipating and coping with change. Owing to the dynamic environment of organisations, strategies are subject to change. It is, thus, important to distinguish between strategic intentions and strategic

actions because not all intended strategies are actually realised and, at the same time, not all strategies realised were intended. While a deliberate strategy is one that is intended and realised, an emergent strategy is one that is not intended but realised.

The integration of strategy is also important both in terms of the integration of different strategies and in terms of the integration of strategies with other organisational processes, especially performance measurement.

The review of strategic management literature has highlighted three gaps in the formal body of knowledge in the following respects:

- There is a lack of consensus with regard to the definition of strategy in practice.
- Despite the notion of the integration of strategies, there is a considerable controversy about the practical nature of the integration.
- The understanding of a link between performance measurement and strategy is still limited.

In accord with the view from the performance measurement literature provided in Chapter 2, the review of strategic management literature in this chapter appears to confirm that performance measurement has a position in the strategic management context, and that there is limited understanding of the link between performance measurement and strategy. Even though performance measurement appears to link with strategy in several aspects, the alignment between performance measurement and strategy is central to this thesis. In light of this, it is appropriate to review the literature on this alignment in the next chapter.

CHAPTER 4

The Alignment between Performance Measurement and Strategy

4.1 Introduction

Reviews of the literature on performance measurement and strategic management in the two previous chapters suggested that performance measurement has a link with strategy. Specifically, the literature suggested the importance of the alignment between performance measurement and strategy. It is therefore, appropriate to review the alignment literature in this chapter.

The present chapter reviews the literature pertaining to organisational alignment in general, and to the alignment between performance measurement and strategy in particular. The objective is to identify some gaps in the body of knowledge. In so doing, this chapter explores the following four main issues relevant to the alignment:

- The concept of organisational fit
- The conceptualisation and the domain of fit
- The alignment between performance measurement and strategy
- Performance measurement frameworks supporting alignment

4.2 The Concept of Organisational Fit

The concept of organisational fit has its root perhaps in ecology. The population ecology theory states that living things, in order to survive in the environment, have to adjust to fit into their surroundings. Those who are unable to do so will ultimately be eliminated from the environment. This notion is partly proven by evidence that many species unable to adjust successfully to their ever-changing environments are now extinct.

In the field of organisation studies, academics have adopted the above ecological notion, and have substituted creatures in their living environment for organisations within their organisational environment. Miles and Snow (1984) defined the concept of '*fit*' as it pertains to organisation studies as:

A dynamic search that seeks to align the organisation with its environment and to arrange resources internally in support of that alignment.

Miles and Snow (1984: 10)

Similar to its application in ecology, the concept, when applied in organisation studies, focuses on the adaptation of organisations to survive in an environment full of other competitors. The population ecology theory suggests that organisations are affected by other similar organisations (e.g. competitors), because they must all extract needed resources from the same organisational environment (Getz, 2002).

The concept of organisational fit can be viewed, for example, by the agency theory and the contingency theory. On the one hand, from the agency theorists' point of view, a close alignment of agency incentives with the principal's preferences is important. This is true, especially when there is asymmetric information, in order to avoid dysfunctional effects and unsuccessful implementation (Johnsen, 2001).

On the other hand, from the perspective of the contingency theorists—who explore the linkages between the environmental, organisational and managerial characteristics (White, 1986)—successful performance is, to some degree, the result of a proper alignment. In this view, a successful organisation seeks the alignment of endogenous design variables (e.g. organisation structure or degree of planning formality) with exogenous context variables (e.g. environmental uncertainty or technological advance) (Powell, 1992). The key to the contingency theory is that the organisations in an open system have to cope, to a greater or lesser degree, with uncertainty.

Contingency theory is a powerful concept, centring on the environment as the principal source of uncertainty. However, endogenous variables such as the particular strategy chosen can also exert an influence on an organisation's uncertainty, rendering it necessary for them to cope with uncertainty caused by both endogenous and exogenous variables. White (1986) commented that since there are strong linkages between strategy choice and environmental characteristics, it is to be expected that uncertainty inherent in the organisation's strategy may be strongly correlated with environmental uncertainty.

Additionally, there still exist other concepts of organisational fit which propound different points of view. For example, according to Peters and Waterman (1983), the need to achieve a close fit means the alignment of the seven 'S's' namely, strategy, structure, skills, systems, style, shared values and staff. Alternatively, Dixon *et al.* (1990) used the term '*alignment*' in referring to organisational '*fit*'. For these authors, alignment refers to the extent to which a company's strategy, actions, and measures line up with each other. To attain such alignment, these entities must be matched and mutually supportive.

In addition, Lockamy III and Smith (1997) suggested that the organisation should consider alignment in three dimensions: strategy, process, and customer. Only when those three dimensions are aligned through good communication (described by the authors as the '*performance measurement system linkages*'), is organisational alignment achievable. In other words, the communicative functions of performance measurement can facilitate organisational alignment.

Among the proponents of the concept of organisational fit, Jemison (1981) and Venkatraman and Camillus (1984) suggested that '*fit*' be considered a central concept in strategic management because strategic management is, indeed, the process by which the senior management of organisations develops and utilises a strategy to co-align organisations' competencies with their environment. Venkatraman and Camillus (1984) regarded fit as fundamental to strategic management for four reasons:

- The field of strategic management is rooted in the concept of '*matching*' or '*aligning*' organisational resources to environmental opportunities and threats.

Subsequent conceptualisations of strategy have emphasised the requirement of matching various components related to strategy.

- The concept of fit is dominant in the parent disciplines, especially in organisation theory and industrial organisation economics, in which the significance of fit is assumed while developing and testing theories of strategy.
- Most contingency-theory based studies have generally explored the concept of fit in terms of bi-variate relationships, but recent views argue for the achieving of '*congruence*' among a larger set of elements, as well as for the arriving at '*gestalts*'.
- Fit has been used as a normative concept for many consultants to highlight the importance of synchronising complex organisational elements for effective implementation of the chosen strategy.

The authors also noted that the concept still lacks precise definition and support both theoretically and empirically. It is necessary to understand the concept of fit as it relates to strategy prior to its use as a normative concept.

According to Miles and Snow (1984), the concept may, at first glance, appear to be obvious, but while fit is fundamental to organisational success, it is enormously difficult to achieve and/or maintain. The authors postulated that even though misfit organisations are able to survive in a benign environment, they have little chance of thriving. Organisations require at least minimal fit for survival and tight fit to become excellent.

However, practical fit is subject to the dynamics that influence an organisation's environmental conditions, periodically enforcing strategic change (De Hass and Kleingeld, 1999). Therefore, in a turbulent environment, it is difficult to keep organisational components tightly integrated. Although perfect equilibrium can never be attained (Thorelli, 1977), organisations strive towards equilibrium due to pressures for congruence (Etzioni, 1961; and Nightingale and Toulouse, 1977). Thus, perfect fit is most often a condition to strive for, rather than to accomplish (Miles and Snow, 1984).

Despite the proponents of the concept of organisational fit, there appear to be some—if not many—who oppose the concept. For example, the alignment approach is claimed to overemphasise organisational structure and environments while neglecting strategic positioning (see, for example, Powell, 1992).

In the discussions regarding organisational fit, two dimensions of the alignment—the conceptualisation of fit and the domain of fit—are often raised. For this reason, these dimensions will be reviewed together with their theoretical and managerial concerns in the next section.

4.3 The Conceptualisation and the Domain of Fit

Venkatraman and Camillus (1984) noted that the concept of fit appears to be relevant in strategic management from a variety of perspectives. Therefore, the development of a scheme to compare and contrast all the differing perspectives may be difficult. However, in

viewing the concept of organisational fit, the authors proposed a conceptual scheme comprising of two dimensions—conceptualisation of fit and domain of fit:

4.3.1 Conceptualisation of fit

A fundamental conceptual distinction underlying most strategy conceptualisation is either the focus on strategy content (what should be done) or on strategy-making process (how it is to be developed). By applying the same idea, '*fit*' can then be similarly conceptualised in two different ways.

- **Content of fit**—the elements to be fitted together to reach the desired configuration.
- **Process of aligning**—the process of arriving at the desired configuration.

Venkatraman and Camillus (1984) noted that content-of-fit oriented themes have dominated this dimension of the conceptual scheme and received the larger share of researchers' attention (see, for example, Jemison, 1981).

4.3.2 Domain of fit

Venkatraman and Camillus (1984) highlighted that, typically, strategy researchers focused on formulation and/or implementation of strategy. The authors also noted that, on one

hand, from a formulation perspective, the alignment concern is primarily between strategy and external variables, such as:

- Market opportunities
- Market environment
- Customers
- Product life cycle
- Market growth rates and relative competitive position.

On the other hand, however, an implementation focus requires that strategy be aligned with internal variables, such as:

- Performance measurement systems
- Structure
- Management style
- Management process
- Organisational culture.

Additionally, Venkatraman and Camillus (1984) suggested that the first dimension (i.e. conceptualisation of fit) of the proposed scheme raises interesting theoretical concerns, while the second dimension (i.e. domain of fit) can be used to address a number of relevant managerial concerns. Both types of concern will be explained next.

4.3.3 Theoretical concerns

Theoretical concerns focus on how fit is to be measured, recognising that different approaches to measurement are needed for the '*content*' and '*process*' of fit.

An issue related to measurement is whether fit is a '*static*' or '*dynamic*' phenomenon, especially when measuring it as process (pattern of interaction). Cross-sectional measures provide only a static perspective (Kimberly, 1976), which leads to conflicting results in some contingency-based studies (Mintzberg, 1979). However, they may represent the quickest way of establishing the relevant variables. Because the concept of fit is still in its infancy in strategic management research, the identification of critical variables to be fitted is essential in the next step of research in the field (Venkatraman and Camillus, 1984).

Although key elements of strategic fit have been normatively listed (see, for example, Peters and Waterman, 1983; and Waterman *et al.*, 1980), their roles in different settings have to be descriptively validated. Later, a dynamic study may become essential to trace the direction of cause-and-effect which goes beyond the identification of interactions among elements (Thorelli, 1977).

4.3.4 Managerial concerns

The domain of fit provides a preliminary idea of the scope of the elements to be aligned, in order to ensure organisation-environment fit. Venkatraman and Camillus (1984) noted that

two managerially relevant issues emerge: one is the extent to which various elements can be managerially controlled or influenced in the short-run versus the long-run. The second issue relates to the mode of strategic manoeuvring to approach equilibrium.

Although perfect equilibrium will never be achieved (Thorelli, 1977), organisations strive towards it because of pressure for congruence (Etzioni, 1961; and Nightingale and Toulouse, 1977). A key issue here is whether organisations should manage such changes in a quantum (revolutionary) or incremental (evolutionary) fashion.

4.4 The Alignment between Performance Measurement and Strategy

The reviews of literature on performance measurement and on strategic management in Chapters 2 and 3 suggested that authors in both fields appeared to recognise the linkages between performance measurement and strategy. In particular, many of these authors have paid attention to the importance of the alignment between performance measurement and strategy (see, for example, Atkinson and McCrindell, 1997; Bourne *et al.*, 2002; De Toni and Tonchia, 2001; Dixon *et al.*, 1990; Goold and Quinn, 1990a; Johnsen, 2001; Kaplan, 1990; Kaplan, 2001a, 2001b; Kaplan and Norton, 1996a, 1996b, 1996c, 1996d; Langfield-Smith, 1997; Lingle and Schiemann, 1996; Lockamy III and Smith, 1997; McAdam and Bailie, 2002; Mendibil *et al.*, 2002; Neely, 1999; Neely *et al.*, 1995; O'Mara *et al.*, 1998; Parker, 2000; Schmenner and Vollmann, 1994; Skinner, 1969; Wheelwright, 1978; and Willis, 2001).

However, in spite of an increasing attention to the topic, there still exists a need for more formal research in the field. The knowledge on the alignment between performance measurement and strategy appears to be underdeveloped, especially in comparison to other performance measurement research areas, such as the design and implementation of performance measurement, and the multi-dimensional performance measurement systems. Since the alignment between performance measurement and strategy is central to this research, it is essential to review the existing literature, despite the underdeveloped body of knowledge on the issue.

Reviews of the literature pertaining to the alignment between performance measurement and strategy suggested that the proponents (see, for example, De Toni and Tonchia, 2001; and Lockamy III and Spencer, 1998) of the notion agreed that performance measurement should be integrated and aligned with other organisational processes, and especially with an organisation's strategy. The essence of the alignment between performance measurement and strategy lies in the tendency for an organisation's strategy to determine the objectives to be achieved to fulfil the organisation's strategic choice (Slack *et al.*, 1995). Therefore, the organisation's strategy uniquely defines the elements of its performance measurement, both in terms of what is measured, and how it is measured (Atkinson and McCrindell, 1997). McAdam and Bailie (2002) claimed that findings from their longitudinal study confirm a strategic link as imperative in the creation of measures and measurement systems. This is also consistent with the view reflected in De Toni and Tonchia (2001), Ittner and Larcker (2003), Kaplan and Norton (1996a, 1996b), and Neely *et al.* (1995).

It appears that all of the discussions on the alignment between performance measurement and strategy found in the existing literature have been biased towards the arguments for advantages of the strategy-aligned performance measurement. However, disadvantages as well as advantages of the alignment will be reviewed next.

4.4.1 Advantages of strategy-aligned performance measurement

Authors who have extolled the virtues of the alignment between performance measurement and strategy have put forward the advantages of the strategy-aligned performance measurement. For example, Miles and Snow (1984) asserted that the alignment makes visible both goals and means and, in turn, makes obvious the task requirements. Resources previously required for co-ordination or troubleshooting can be deployed in the primary system, and even tighter organisational alignment may result. These authors also noted that organisational misfits can be protected by a benign environment, but minimal alignment is required for an organisation's long-term survival in competitive environments.

Langfield-Smith (1997) and Lockamy III and Smith (1997) agreed that alignment stands alongside industry and strategic positioning as a key source of competitive advantage that generates supernormal profits to the firm (Powell, 1992).

Neely (1999) and Neely *et al.* (1994) indicated one benefit of matching measures and strategies, namely, that measures can encourage the implementation of strategy because the strategy-aligned measures not only provide information on whether the strategy is being

implemented, but also encourage behaviour consistent with the strategy. Since organisations are normally comprised of individuals in different sub-units, it is possible for each individual or sub-unit to overemphasise its own local objectives at the expense of the overall global objectives of the organisation. Linking performance measurement with the organisation's overall strategy is a means of minimising such sub-optimising effect.

For this purpose, Kaplan (1990) and Parker (2000) suggested that conceptual thinking should be developed to aggregate all the sub-units' operating measures into appropriate measures of organisation-wide performance that encourage the implementation of strategy. Kaplan (2001) and Parker (2000) also noted that one of the useful aspects of performance measures aligned with strategy is that they provide a means by which individuals or sub-units within the organisation can know and assess their contribution to the organisational goals.

Specifically, Kaplan and Norton (1996d) provided four reasons for the importance of having a strategy-aligned performance measurement. First, it describes the vision of the future for the entire organisation. Second, it can create shared understandings by giving a holistic view of strategic requirements that allows all individuals to see how they can contribute to organisational success. Third, it focuses change efforts because only when the right indicators of performance drivers are identified will actions lead to desired long-term strategic objectives. Finally, the strategy-aligned performance measurement permits organised learning by supplying essential strategic feedback. By making explicit the hypothesis about cause-and-effect relationships between performance drivers and actual results, organisations can track the achievement of pre-determined strategic objectives.

Therefore, management can test, validate and modify the hypothesis embedded in the organisational strategy as they learn. The author highlighted that without explicit cause-and-effect linkages, no strategic learning can occur.

Just as such a strategy can facilitate the organisation's external alignment with its environment (discussed mainly in section 3.4), so performance measurement can facilitate internal alignment. Strategy-aligned performance measurement ensures that objectives derived from the intended strategy are being carried out. Since organisations often appear to fail to turn strategy into effective actions due to inadequate and/or inappropriate measures (McAdam and Bailie, 2002), as well as lack of the alignment between performance measurement and strategy (Bourne *et al.*, 2000), strategy-aligned performance measurement can enhance an organisation's internal alignment because it provides insights into the success with which objectives are attained in the actions and process, permitting operating actions and process to be improved.

Although several advantages of the strategy-aligned performance measurement have been suggested, eclectically perhaps, it may be summarised that the alignment between performance measurement and strategy:

- Creates shared understanding.
- Renders both goals and means visible.
- Makes clear the links between performance of individuals and sub-units, and sub-units and overall organisational.
- Promotes integration among various organisational processes.

- Encourages behaviour consistent with strategy.
- Limits overemphasis on local objectives, thus reducing sub-optimisation.
- Focuses change efforts.
- Supplies management with essential strategic feedback system.
- Permits organisational learning.

With regard to the advantages that strategy-aligned performance measurement might yield, the alignment between performance measurement and strategy has been claimed as a fundamental of effective performance measurement (see, for example, Kaplan, 1990; Miles and Snow, 1984; Parker, 2000; and Willis, 2001).

4.4.2 Disadvantages of the strategy-aligned performance measurement

It is surprising that despite the highlighting of several advantages of the strategy-aligned performance measurement, its disadvantages appear to have been overlooked. Possible reasons for this are that the disadvantages are not as obvious as the advantages, or that they are negligible. However, more importantly, the absence of the recognition of these disadvantages may have its roots in an underdeveloped body of knowledge on the issue of strategy-aligned performance measurement, overwhelmed with normative and intuition-based arguments.

Nevertheless, possible disadvantages of the alignment between performance measurement and strategy may include the following:

- The concept is so over-simplified that it is not practicable (e.g. it is much easier to state that measures should explicitly link actions and process to strategic objectives than to actually identify such measures).
- There is a lack of guidance on how to facilitate the alignment. Therefore, management may not know if the effort put into facilitating the alignment has been fruitless (perhaps the only existing practical guidance is Dixon *et al.*'s (1990) Performance Measurement Questionnaire (PMQ) framework, which will be reviewed in the next section).
- The benefits of the alignment may not be worth the effort put into facilitating it.
- The strategy-aligned performance measurement may be in conflict with short-term rewarding and/or personnel career advancement systems (e.g. while strategic objectives typically take longer to realise, rewarding systems are still based—for the most part—on short-term performance appraisal).
- The alignment requires management's attention and commitment, which are not always available.

However, regardless of what advantages or disadvantages the strategy-aligned performance measurement might bring, the alignment may deteriorate over time as the result of a number of variables. Miles and Snow (1984) noted that environmental factors outside an organisation's control are constantly changing and may require strategic adjustment. Strategic change, in turn, is likely to require changes in organisation structure and/or processes. Thus, strategic change without considering the consequences for the existing performance measurement may be detrimental to the alignment between performance measurement and strategy (Bourne *et al.*, 1999). In view of this, O'Mara *et al.* (1998) suggested that when organisations implement new strategies, they should ensure that the appropriate set of performance measures is in place.

However, environmental change is not the only cause of alignment deterioration. Misalignment may also occur when organisations voluntarily change internal structure and process without concern for long-run consequences on strategy. If unchecked, this evolution may lead to the performance measures diverging from strategy. Bourne *et al.* (2000) concluded that if strategy and measures are to remain in alignment, processes are required to regularly review the measures against the strategy.

To the extent that the alignment results not from luck, but from managerial expertise, alignment skills are one of the essentials in organisation management (Powell, 1992). However, O'Mara *et al.* (1998)—based on their case study research—found that managers had no formal recognition of a link between performance measurement and strategy, so that key performance measures were seldom linked to strategic decisions. Ittner and Larcker (2003) also highlighted the frequent failure of business managers both to link

performance measures—on the basis of causal model—to an organisation’s strategy and to validate the link.

4.5 Performance Measurement Frameworks Supporting Alignment

There are performance measurement frameworks that articulate the position of performance measurement within the organisational strategic management realm. These frameworks include the balanced scorecard, the performance pyramid, and the performance measurement questionnaire.

On the one hand, the first two frameworks appear to involve performance measurement more with strategic management, and also recognise the relationship between performance measurement and strategy (e.g. by linking actions to strategic objectives). However, these frameworks do not provide clear guidance with regard to facilitating the alignment between performance measurement and strategy. A performance measurement questionnaire (PMQ), on the other hand, not only provides a framework integrating measurement with strategic management, but also articulates more clearly the alignment between performance measurement and strategy. Since both the balanced scorecard and the performance pyramid have already been reviewed in sections 2.6.1 and 2.6.3 respectively, this section will address mainly the PMQ framework.

The PMQ focuses on the alignment between performance measurement and strategy, both by spelling out the definition of the alignment and proposing a pragmatic way to assess and enhance such alignment. In their introductory writing on the PMQ, Dixon *et al.* (1990) referred to the alignment as:

The extent to which a company's strategy, actions, and measures line up with each other (match and are mutually supportive).

Dixon *et al.* (1990: 72)

The authors noted that the alignment is important for the competitive potency of a strategy, which is realised only when actions and measures complement the strategy. The PMQ is claimed to have the objectives to provide a means by which an organisation can articulate its improvement needs, determine the extent to which its existing set of measurements is supportive of the necessary improvements, and establish an agenda for improving the measures so that they better support completion of the improvements.

The PMQ consists of four parts. Part I provides general data used to classify the respondents from different managerial levels across organisational functions. Part II assesses the organisations' competitive priorities and performance measurement system. Part III is similar to Part II, except that the focus is on performance measures. Part IV asks the respondents to provide performance measures that best evaluate their own performance and any other general comments.

According to the authors, the first part of the PMQ identifies general data pertaining to each respondent. The data on management level and functional affiliation are used to examine the degree of consensus among managerial levels and functional areas. The latter parts are based on individual perceptions of what actions are important for improvement of the competitive effectiveness of the organisation, and the extent to which the measurement systems in the organisation support or impede the achievement of these actions.

The PMQ data are collected using seven-point Likert scales, and four types of analysis are conducted by using simple statistics (e.g. standard deviation). Dixon *et al.* (1990) noted that while more sophisticated statistical analyses may be performed, their ability to stimulate managerial interest is limited. In other words, if it is too complicated, managers tend not be interested in using it. Simple statistics are then used to conduct four basic types of analysis, including alignment, congruence, consensus, and confusion analysis:

- The alignment analysis is conducted to assess the degree of match between the organisation's strategies, actions and measures.
- Congruence analysis provides more detailed understanding of how well the measurement system supports the organisation's strategy and actions.
- Consensus analysis analyses the obtained data according to management levels or functional groups.
- Confusion analysis determines the extent of consensus regarding each improvement area and performance measure.

The PMQ is regarded as a useful methodology for auditing an organisation's alignment between performance measurement and strategy (e.g. McAdam and Bailie, 2002; and Neely *et al.*, 1994). Even though the PMQ has the advantage of providing a mechanism to identify areas for improvement and their associated performance measures, the disadvantage is that it cannot be considered a comprehensive integrated measurement system (Ghalayini and Noble, 1996). McAdam and Bailie (2002) also noted that the PMQ is indicative rather than prescriptive of a wider approach to performance measurement.

4.6 Summary

Concept of fit in ecology addresses living things' need for self-adaptation, in order to survive in their ecological environment. Organisation studies appear to adopt and apply the concept with the organisations within their organisational environment, in order to survive in the long-term. The concept of organisational fit was noted as fundamental and relevant to strategic management from a variety of perspectives.

The concept of organisational fit can be viewed from at least two perspectives: the conceptualisation of fit and the domain of fit. On the one hand, the debates on conceptualisation of fit focused mainly on the content of fit (the elements to be fitted) and the process of fit (the process of achieving the fit). On the other hand, the debate with regard to the domain of fit revolved around either the formulation or the implementation of the concept. While the formulation issues focus on the organisational fit with the variables external to the organisations (e.g. market, and customers), the implementation issues focus

on the alignment of internal variables (e.g. performance measurement systems, and organisational structure). The notion that an organisation is a system comprised of many sub-units and processes within it underpins the concept of organisational fit/alignment.

It was noted that a number of commentators have recognised the importance of the alignment between performance measurement and strategy and thus, have put forward its range of benefits. Surprisingly, there appeared to be an absence of acknowledged negative aspects of the alignment. However, possible disadvantages of the strategy-aligned performance measurement can be, at least normatively, identified.

The essence of the strategy-aligned performance measurement lies in the tendency for an organisation's strategy to determine the objectives to be achieved to fulfil the organisation's strategic choice (Slack *et al.*, 1995). Therefore, strategy uniquely defines the elements of the performance measurement system, both in terms of what is measured, and how it is measured.

There appears to be a few performance measurement frameworks that articulate the organisational alignment. These frameworks include the balanced scorecard, the performance pyramid, and the performance measurement questionnaire (PMQ). Since the former two frameworks had already been mentioned, this chapter reviewed mainly the PMQ.

In comparison to other performance measurement frameworks, the PMQ tends to emphasise more strongly the alignment between performance measurement and strategy,

both by spelling out the definition of the alignment and by proposing a pragmatic way to assess and enhance the alignment. The underlying notion of alignment in the PMQ is that the competitive potency is realised only when actions and measures complement the strategy. Performance measurement commentators regarded the PMQ as a methodology possible for auditing an organisation's alignment between performance measurement and strategy (e.g. McAdam and Bailie, 2002; and Neely *et al.*, 1994).

The literature review in the present chapter has helped to identify at least six gaps in the literature on the alignment between performance measurement and strategy, including:

- There is a lack of consensus in defining organisational fit/alignment.
- There is a lack of analysis framework for organisational fit.
- The existing studies on the concept of organisational fit have highlighted the phenomenon mainly as static rather than dynamic.
- There is an absence of recognition of the disadvantages of misalignment between performance measurement and strategy.
- There is a lack of empirical evidence with regard to how the organisational fit/alignment is managed in reality.
- The study of organisational fit/alignment rarely, if ever, focuses on the alignment between performance measurement and strategy in public sector organisations.

These identified gaps imply the lack of understanding in the concept of organisational fit in general, and in the relationship between performance measurement and strategy in particular. Despite a number of publications in the field that reinforce the notion of the

alignment between performance measurement and strategy, the contentious issues have arisen mostly from intuitive arguments, rather than empirical evidence (see, for example, Langfield-Smith, 1997). The lack of understanding of the relationship between strategy and performance measurement can be problematic, especially since some researchers have begun researching into the evolution of performance measurement in organisations (Kennerley and Neely, 2002).

The reviews of literature from Chapter 2 to the present chapter have been based primarily on for-profit/private sector performance measurement and strategic management literature. However, since the focus of this research is on the alignment between performance measurement and strategy in the public sector, it is important to review the literature in strategic performance measurement in the public sector in the next chapter. The main purpose is to verify that the research focus represents a gap in the literature and therefore, to ensure that the research will contribute to the body of knowledge.

CHAPTER 5

Strategic Performance Measurement in the Public Sector

5.1 Introduction

The objectives of this final literature-review chapter are, first, to review literature in strategic performance measurement in the public sector, in order to identify gaps in the body of knowledge, and second, to present the research question for this study. This chapter explores four main issues in the literature, including:

- Distinctions between private and public sector organisations
- Performance measurement in public sector organisations
- Distinctive characteristics of strategic management in the public sector
- Alignment between performance measurement and strategy in public sector organisations

After the review of these issues, the chapter will present the research question, as well as sub-questions, for this study based on the overall results of the literature reviews from Chapter 2 to the present.

5.2 Distinctions between Private and Public Sector Organisations

According to Perry and Rainey (1988), distinctions between organisations in the private and public sectors have received significant attention, as evidenced by the increasing number of comparative studies published in the public administration and management literature. Among the practical reasons for the study of the distinctions between private and public sector organisations is their potential relevance to the understanding of the roles of the organisations in each sector, the implications of imposing public purposes on private businesses, and the transferability of management techniques between sectors.

In sections 5.2.1 and 5.2.2, the conceptual frameworks for analysing the distinctions of organisations across the sectors and the distinctive characteristics of the organisations in each sector will be reviewed.

5.2.1 Conceptual frameworks

A long-standing traditional argument stated that one of the major differences between private and public organisations is the different decision-making processes of the two sectors (Scott and Falcone, 1998). This argument states that decisions in private organisations are guided, for example, by the criteria of economy, efficiency, and monetary profit, whereas in public organisations, decisions are characterised, for example, by

bargaining, compromise, uncertainty, and the accommodation of competing political interests (Murray, 1975).

Although evidence has yet to be presented which resolves this debate, three underlying conceptual frameworks for analysing the distinctions between organisations across the private and public sectors have emerged. These frameworks include the generic approach, the core approach, and more recently, the dimensional approach (see, for example, Scott and Falcone, 1998).

Generic approach

Scott and Falcone (1998) noted that the generic approach suggests that management functions, organisational processes, and managerial values are essentially identical across sectoral boundaries. Proponents of the generic approach dismiss the aforementioned long-standing argument that decision-making in private organisations is fundamentally different from that in public organisations.

The generic approach suggests, instead, that decisions in any type of organisation are subject to an economic motivation of one form or another. Generic proponents also regard as simplistic the notion that private organisations are driven exclusively by the financial incentives. Private sector decision-making is composed of an array of criteria, of which economic efficiency and monetary profit are central.

Core approach

In contrast to the generic approach, the core approach emphasises fundamental differences between private and public organisations. Scott and Falcone (1998) noted two particular research traditions emphasising this approach, i.e. the property rights theory and the public choice theory.

Property rights theorists (e.g. Alchian and Demsetz, 1972) suggested that private managers have direct rights to the economic returns of the organisation, thus providing a strong incentive to increase their personal gain by efficient use of resources in the organisation. Since there does not exist this type of incentives for public managers, therefore these managers tend to be more tolerant of inefficiency.

In a similar vein, public choice theorists (e.g. Niskanen, 1971) suggested that public organisations lack important market signals to serve as indicators for setting production levels of public goods and services. Without such signals, public organisations are compelled to rely on budgetary increases, staff growth and other non-market indicators as the criteria for success.

Based on these two theories, proponents of the core approach suggested that public and private organisations can be distinguished according to the presence or absence of market structures, externalities and ownership transferability.

Additionally, Scott and Falcone (1998) also noted that researchers from other traditions also noted core distinctions between public and private organisations by virtue of particular

societal influences. For example, it was suggested that the nature of management differs between sectors because private and public organisations receive their support from different sub-sectors of society (e.g. Fottler, 1981). This, in turn, places differential constraints on management in responding to these influences.

Other researchers (e.g. Rainey *et al.*, 1976) attributed differences between public and private organisations to the presence of legal and political constraints placed on government agencies by the courts, legislatures, executive oversight agencies and constituent groups. These constraints result in greater oversight, less autonomy, and reduced authority among public managers, and they lead to higher levels of formalisation, red tape and bureaucratisation. Because of these differences, public organisations have been characterised as less innovative, less performance oriented, and more risk averse than private sector organisations (see, for example, Bozeman and Kingsley, 1998).

Dimensional approach

This recent approach distinguishes organisations according to a net outcome of political and economic authority influences. Bozeman (1987) suggested that an organisation can be considered along several dimensions of '*publicness*' that are independent of each other and of the organisation's formal, legal status. Examples of these dimensions noted by the author include resource acquisition, composition of output, diversity of mission and environmental transactions.

All organisations can, thus, be considered as more public along some dimensions, and more private along other dimensions, based on the extent to which they exercise or are

constrained by political and economic authority. Organisations having a similar mix of political and economic authority will exhibit relatively similar patterns of behaviour, irrespective of their sectoral identification.

Bozeman (1987) asserted that the dimensional approach is useful because it helps to identify political aspects of business organisations and economic aspects of government organisations. In addition, this approach permits the comparative study of entities, such as government corporations, government-sponsored enterprises and other types of organisations that tend to defy conventional classification.

Table 5a summarises the above three conceptual frameworks for analysing the distinctions between public and private sector organisations.

Generic Approach	Core Approach	Dimensional Approach
<p><i>Public org. = Private org.</i></p> <p>Public sector organisations and private sector organisations are essentially identical.</p>	<p><i>Public org. ≠ Private org.</i></p> <p>Public sector organisations and private sector organisations are fundamentally different.</p>	<p><i>Public org. =, ≠ Private org.</i></p> <p>While an organisation can be more public in some dimensions, it can be more private in other dimensions, regardless of its sectoral identification.</p>

Table 5a: Summary of the Conceptual Frameworks for Analysing the Public-Private Sector Distinctions
(Source: the author)

As suggested by the dimensional approach, it is, thus, possible to construct a theoretical framework that shows that public and private organisations simultaneously differ and resemble each other (Noordegraaf and Abma, 2003).

5.2.2 Distinctive characteristics of private and public sector organisations

There appear to be at least five characteristics frequently used in distinguishing private and public sector organisations, including (1) market and economic incentives, (2) ownership, (3) accountability to the stakeholders, (4) openness to the environment, and (5) rules and constraints. Each of these will be explained in turn.

Market and Economic incentives

This is the long-standing notion of a fundamental difference between organisations in the two sectors. It argues that businesses are guided by the market, which provides the economic incentives, whereas in public organisations, the market and economic incentives are absent, or at least, are not the chief concern (Downs, 1967; and Kouzmin *et al.*, 1999).

Perry and Rainey (1988) argued that economists cite public goods and market failures as the reasons for governmental activity and therefore, as the reasons for the existence of public organisations. Moreover, the authors also noted that these concepts are inadequate for a clear explanation of how public and private organisations differ, with a number of public organisations producing non-public goods.

Ownership

Perry and Rainey (1988) argued that the most common definition of public and private distinguishes organisations according to ownership and funding. Ring and Perry (1985) noted that perhaps the most fundamental of the differences stems from the laws that

specify the organisations' ownership. Unlike business firms, which more typically have entrepreneurial roots, public organisations are often created by some higher, controlling body. Warwick (1975) argued that this body is composed of multiple and competing interests. Once created, the organisation is largely dependent on that body for the definition of its objectives and the provision of resources.

Accountability to the stakeholders

Accountability concerns are different across sectors. For businesses, the major accountability is between the company and its owners—the stakeholders. For public organisations, however, an agency's mission represents the accountability between the agency and society—the constituents (N.B. in the public sector, the stakeholders are often referred to as constituents). Kaplan (2001) regarded public agencies' accountability to society as the rationale for their existence.

Benn and Gaus (1983) noted two reasons for the accountability of public organisations to a broader variety of constituents. First, the interest of public sector organisations' activities is communal, not restricted to individuals, as is the case for private firms. Therefore, it is reasonable for many constituents who share the interests resulting from those activities to know that such interests are fully accountable. Second, a public agency, whether referring to a person or an organisation, acts as an individual or as an agent for the society as a whole. The person or the organisation is, therefore, accountable to constituents in society.

Openness to the environment

Organisations in the public sector are more open to social and political pressure external to them because they operate with a fixed public budget, and consumer groups are in competition with each other for scarce resources (Kouzman *et al.*, 1999).

Perry and Rainey (1988), and Ring and Perry (1985) also noted that public organisations are subject to much greater influence by external political and governmental institutions, as well as being exposed to more external scrutiny. Additionally, Allison (1983) identified the diversity of external attention as a major difference between the two sectors.

Rules and constraints

Frant (1993) addressed a common notion that public organisations are more '*bureaucratic*' than private organisations, due to more internal rules constraining employees' behaviour. Those rules aim much more at restricting than at informing managerial actions. This results in a reduction in autonomy among public managers, owing to constraints such as civil service rules (Perry and Rainey, 1988). An example of such rules is that a number of important decisions about hiring, firing and promoting are often made by an external commission not under the control of the organisation's management.

In addition to the above characteristics, there are other less-apparent characteristics distinguishing public from private organisations. For example, Whorton and Worthley (1981) identified significant organisational culture differences between the two sectors including public value and the number of formal processes.

However, there are some who oppose the notion of distinguishing private from public organisations. Lachman (1985), for example, suggested that the public-private distinction may not be a very useful conceptual framework for explaining differences in organisation-environment interactions, and that differentiating in terms of other factors (e.g. task or technology) may account for more differences than does differentiation by sector affiliation.

5.3 Performance Measurement in Public Sector Organisations

As already mentioned, performance measurement is a critical activity for public sector organisations as well as for businesses. There appears to be greater emphasis on performance measurement in present day public management. For example, Noordegraaf and Abma (2003) indicated the two movements in performance measurement as a management approach in the public sector—the management by measurement movement and its counter movement.

The authors noted that, for the proponents of the '*management by measurement*' movement, public sector organisations are entitled to get benefits from the dual roles of performance measurement. First, this helps in establishing transparent administration by facilitating the establishment of tight, objectified links between objectives, means, outputs and outcomes of public agencies. Second, it strengthens the effective administration by enabling the evaluation of organisational outputs and outcomes. In both ways, public management can be regarded as enjoying '*management by measurement*'. Evidence of this

movement includes several recent trends in public management, for instance, the NPM (e.g. Hood, 1991), performance oriented management (e.g. Pollitt and Bouckaert, 2000), and the rise of the audit society (e.g. Power, 1999).

However, from the opponents' points of view, measurement of public sector performance faces severe difficulties. It is argued that public sector performances are difficult to measure, since many of them are invisible, unintended or contradictory (Noordegraaf and Abma, 2003). The causes of this situation possibly include problematic preferences, contested knowledge, fuzzy means-ends relations and unclear relations between outputs and outcomes (see, for example, March and Olsen, 1979; Weick, 1995; and Wilson, 1989). This renders the management by measurement approach in the public sector subject to severe criticisms. For the opponents of management by measurement, public management is rather the '*management against measurement*', thus businesslike measurement models are rejected (Noordegraaf and Abma, 2003). Yet, the trend towards more use of performance measurement in public sector management has already been observed.

Additionally, Hood (1995) noticed a move towards more explicit and measurable standards of performance for public sector organisations. This possibly makes performance measurement the topic of greatest interest in today's public management (e.g. Nyhan and Martin, 1999). Noordegraaf and Abma (2003) referred to the increasing popularity of management by measurement among public sector management in several countries as a '*performance-oriented climate*'.

Even though the concept and practices of performance measurement in private and public organisations may share common characteristics, it appears that there are some distinctive aspects of public organisations which make unique performance measurement in the public sector. In order to understand the uniqueness of the public sector performance measurement, three important topics will be reviewed, including (1) the performance measurement concept in the public sector, (2) problems with performance measurement in the public sector, and (3) transference of the performance measurement approach from the private to public sector.

5.3.1 The Performance measurement concept in the public sector

Performance measurement in the private sector seems to differ from the public sector in at least five important ways, as summarised in the table below:

	Private Sector	Public Sector
Measurement purpose	<ul style="list-style-type: none"> • Internal needs (Neely, 1999) 	<ul style="list-style-type: none"> • External requirements for control purpose (Black <i>et al.</i>, 2001; and Ittner and Larcker, 1998)
Goals to be measured	<ul style="list-style-type: none"> • Clearer • Maximisation of private value, mostly owners' long-term wealth (Moore, 1995) 	<ul style="list-style-type: none"> • Amorphous • Creation of public value (Dence, 1996; and Moore, 1995)
Measurement focus	<ul style="list-style-type: none"> • Measures of returns/profits • Determine owners' long-term wealth (Kouzmin <i>et al.</i>, 1999; and Moore, 1995) 	<ul style="list-style-type: none"> • No consensus of measurement focus • Focuses vary among different public agencies
Measurement stakeholders	<ul style="list-style-type: none"> • Fewer groups, clear goals • One central source of power 	<ul style="list-style-type: none"> • More groups, unclear goals • Satisfying needs of various groups (Mintzberg, 1973)
Measurement accountability	<ul style="list-style-type: none"> • Between management and owners • Commercial focus (Black <i>et al.</i>, 2001) • Financial measures as representative measures (Kaplan, 2001) 	<ul style="list-style-type: none"> • Between agency and society • Accountability focus (Hagigi, 1999) • No clear representative measures

Table 5b: Comparisons between Private and Public Sector Performance Measurement
(Source: the author)

Each of these characteristics will be reviewed in turn.

Measurement purpose

In business firms, performance measurement is more often developed for the internal purpose of managing organisational performance (Neely, 1999). It typically aims at helping business managers to manage activities and processes by providing the data on how the organisation is performing with regard to the achieving of pre-set goals. That is to say, the business managers need performance data to assist them in managing the organisation.

In contrast, performance measurement in the public sector has the major purpose of controlling. Public agencies are frequently required to collect and report performance data, regardless of their needs. That is to say, performance measurement in the public sector is developed more to fulfil external requirements for control (Black *et al.*, 2001; and Ittner and Larcker, 1998).

Goals to be measured

In the private sector, firms can identify more clearly what their desirable goals are, for example, maximisation of the owners' long-term wealth (also known as private value) (Moore, 1995). However, for public agencies, even though they are obliged to create public value (Dence, 1996; and Moore, 1995) rather than private value, it is not clear what the public value is.

It was noted that in general, public organisations have greater stewardship/fiduciary responsibility and focus than do private sector entities (PEA, 1998). Again, such responsibility probably provides a vague notion of public value. As a result, public agencies may not be able to set their goals as clearly as businesses are able to do. This makes the goals for public agencies comparatively less clear, or even amorphous. Hartley and Allison (2000) also highlighted the point that the outcomes for public agencies cannot always be specified in advance, especially when the conditions of the organisations are becoming increasingly complex and uncertain.

Measurement focus

Business firms' goals seem to be rather consistent across the types of business. Normally, business firms attempt to maximise their owners' long-term wealth. Since it is easier for business managers to discern what constitutes such wealth, performance measures are thus used more often to emphasise business returns/profits than to determine the long-term wealth of the owners (Kouzman *et al.*, 1999; and Moore, 1995).

However, for public agencies, there is a lack of focus on measurement, due to the amorphous nature of their goals. Unlike businesses, where returns or profits can be used as universally representative of their goals of maximising owners' long-term wealth, public organisations do not have such clear representative measure(s) for their goals to use across different organisations. For this reason, the focus of measurement may vary among different public agencies.

Measurement stakeholders

For businesses, there tend to be fewer groups of stakeholders whose interests depend, to a certain extent, on the businesses' activities. The more frequently mentioned groups of stakeholders in business include shareholders/owners, customers, suppliers, and employees. However, the shareholders/owners are normally regarded as the most powerful group among others, for they can influence directly business management. For example, they can fire a manager and then appoint another at their will and with considerable ease. In view of this, for a large number of business managers, the needs of shareholders/owners are often placed at the top of the list of management priorities to be satisfied.

For public organisations, in contrast, there are many more groups of constituents to take into consideration. Public organisations not only have to consider all the stakeholder groups mentioned for businesses (N.B. probably in the case of public agencies, the role of the owners can be replaced by the politically appointed figure), they also have to consider other groups of constituents whose needs are also to be satisfied. Possible additional groups include the society as a whole, governmental level policymakers, media, pressure groups and others. The interests of different groups of constituents in the public sector are different and sometimes even in conflict.

Unlike businesses, public organisations cannot identify the single most important group of stakeholders. Rather, they are caught in a complex web of political forces identified by Scott (1995) as the '*political arena*' in which divergent constituencies attempt to institutionalise performance criteria that serve their interests. Therefore, these organisations are unlikely to be able to satisfy all groups of their constituencies at the same

time. Public agencies cannot make decisions to maximise any one goal; rather they must seek adequate solutions to their problems. Therefore, agencies are—at best—trying to satisfy the various constituent groups' needs (Mintzberg, 1973).

Measurement accountability

Black *et al.* (2001) suggested that the major accountability of businesses is between the management and shareholders/owners. Since the shareholders/owners' primary concern is the long-term wealth, accountability tends to be commercially focused.

In contrast, public agencies have accountability between the agencies and society. Public agencies whose major accountability concern is to the society have unclear accountability focus and consequently, may have to focus on accountability itself (Hagigi, 1999) because the primary concern for the society as a whole may be unclear. However, since the rationale for the existence of public organisations is to be accountable to the society (Kaplan, 2001), the reasons for performance measurement in public agency mostly centre upon issues of public accountability (Hagigi, 1999).

5.3.2 Problems with performance measurement in the public sector

Public sector organisations usually encounter at least five recurring performance measurement problems not found in their private sector counterparts, including (1) the difficulty in identifying what is to be measured, (2) the difficulty in satisfying various groups of constituents, (3) the difficulty in searching for sound representative measures,

(4) the bias of the measurement approach, and (5) the validity of assumptions in public sector performance measurement philosophy. Each of these problems will be reviewed in turn.

Difficulty in identifying what is to be measured

Smith (1995) noted that public sector organisations have always encountered the difficulty of securing a consensus as to what the outputs and objectives should be, especially when considering these organisations' many and complex external demands (Audit Commission, 2002). Moreover, having broad consequences to the wider society, a public agency's activities, however, are far from being independent of other agencies' activities. Since the activities of each individual agency seem not to be mutually exclusive, it is difficult to determine clearly the results from the activities of any individual agency, making it difficult to measure an agency's performance.

Despite the attempts to establish results-oriented goals for public agencies, it is difficult for them to set such goals because they must move beyond what they control (i.e. activities) to focus on what they merely influence (i.e. results) (General Accounting Office, 1997). Therefore, measuring the agencies' performance based on results-oriented goals that are beyond their control is neither conducive to the gaining of an accurate view of how they perform, nor is it fair to the agencies being measured.

It should be noted that—as with service-providing businesses—government organisations, whose outputs are often intangible, also face the problem of defining the type of performance to be measured. This problem stems initially from the nature of the final

outputs of these organisations, as opposed to the manufacturing organisations whose products are more tangible.

Difficulty in satisfying various groups of constituents

Since most public agencies are—by and large—funded by government budget, of which major parts are derived from tax, it is sensible for citizens to wish to see benefits from the activities of these agencies. Unfortunately, this is not always possible because various groups of constituents appear to have diverse interests, some even conflicting. Policy-makers, public managers and staff, and interest groups often have different goals for the same public services (Wholey and Hatry, 1992). This results in difficulty for the public agencies to simultaneously satisfy all groups of constituents

The measurement of an agency's performance may reflect how well it is working towards the interests of some constituent groups, but not all. Wholey and Hatry (1992) further noted that measurement of selected aspects of an agency's performance may divert attention from important but unmeasured activities, encouraging '*creaming*' (serving those constituent groups for whom favourable outcomes are most likely), or tempt managers or staff to manipulate performance data. Moreover, as noted by Ring and Perry (1985), these constituents are likely to evaluate the agencies differently, often reaching conclusions that are difficult to reconcile.

Difficulty in searching for sound representative measures

As a result of the difficulty in identifying which performance aspects are to be measured in order to satisfy the society as a whole, public agencies often fail to find a sound

representative of the measures for such ambiguous objectives and outcomes of their performance. Smith (1995) noted that the difficulty extends to the interpretation of any measures that can possibly be developed. It is not clear whether the performance measurement approach for the public sector will help public agencies to measure what is most important or just what is measurable (Audit Commission, 2002).

Wholey and Hatry (1992), based on empirical evidence, noted that the performance of public sector organisations focuses more on the resource expenditure and the quantity of work done, and less on the quality and outcomes of that work. These authors also noted that the absence of adequate attention to quality and outcomes causes the government to become wasteful, ineffective, unresponsive and not credible.

Bias of the measurement approach

Black (1994) and Black *et al.* (2001) noted that many measurement initiatives and techniques developed pay little attention to user/consumer dimensions of public service, instead focusing on other dimensions, notably the priorities of service producers and others (e.g. government and regulatory bodies). Moreover, public performance information was developed more in response to the external initiatives than by the individual agency itself in response to its own measurement needs (Black *et al.*, 2001).

These could possibly cause the conflicts between auditing and improving public sector performance noted by Leeuw (1996). An example of these conflicts is that most public agencies are subject to the scrutiny of the general auditor. Auditing is normally implemented by checking if an agency's performance complies with the established rules

and regulations, and attains the required standard. However this may lead to excessive attention to formal adherence to these standards (PUMA, 1995). Leeuw (1996) noted that since auditors have interest in procedures and procedural effectiveness, they often are satisfied when—on paper—the procedural and organisational prerequisites for an effective policy or an effective public organisation are met. The author maintained that these prerequisites, nevertheless, are nothing more than articulated assumptions that may be right or wrong. Therefore, performance measurement, intended primarily to satisfy the external initiatives of controlling, are unable to provide feedback for public organisations to learn to carry out better its present policies and to achieve its objectives.

However, a more comprehensive and systemic learning process occurs when the policies and objectives are questioned, leading to the possibility of securing new and innovative permanent solutions to the problems (Leeuw *et al.*, 1994). This is congruent with Argyris' (1982) '*double-loop learning*', already discussed in section 2.5.5. The ability for performance measurement to provide double-loop feedback information should be considered as vital unless the prerequisites (rules, regulations and procedures) are proven right.

Validity of assumptions in public sector performance measurement philosophy

An example of this line of argument was noted by Ittner and Larcker (1998), that a number of recent performance measurement initiatives are based on the idea that legal requirements to measure and report performance will improve public performance by increasing the accountability of public managers.

However, these authors noted that, from the institutional theories perspective, it has been argued that in such organisations as government agencies, whose survival depends primarily on the support of external constituents and only secondarily on actual performance, public managers will implement the mandated systems, in order to appear modern, rational and efficient, but will not actually use the systems for improving performance (see, for example, Gupta *et al.*, 1994; and Scott 1987).

This view, if true, implies that performance measurement is of little use for management purposes, and that public organisations measure performance just to fulfil the external requirement for performance information reports. Moreover, it is risky to adopt innovations like performance measurement schemes simply to appear modern, rational and efficient, especially when an organisation mimics other successful adopters of performance measurement without realising the possible negative effects (Leeuw, 1996).

This argument appears to be one of the most severe threats to performance measurement/management in the public sector because it probes into the foundational assumptions of performance measurement in that sector. Therefore, if proved true, it might severely undermine both public sector performance measurement thinking and practice.

However, as in the business domain, where performance measurement seems problematic, performance measurement in the public sector is also encountering a number of problems. It perhaps depends on the academic and practitioner researchers alike to develop a better knowledge in this specific field. For this reason, it is important for research on

performance measurement to continue. The lessons from organisations in either sector may complement each other and the problems might possibly be overcome.

5.3.3 Transference of the performance measurement approach from the private to public sector

On the one hand, it has been suggested that a uniform approach to performance measurement in the business and private sectors may lead to some unintended and possibly dysfunctional consequences if it is uncritically implemented and used in public management (see, for example, Johnsen, 2001; and Ring and Perry, 1985). On the other hand, it has been argued that the underlying management activities and processes in both sectors may be broadly similar, and that measures of performance may be sufficiently generic to permit meaningful comparison (see, for example, Black *et al.*, 2001).

Empirical evidence supporting this latter argument is noted by Scott and Falcone (1998). These authors explained the pervasiveness of the '*revolving-door*' phenomenon among senior-level management from business to public sector organisations, or vice versa, as evidence that at least executive skills may be readily transferable between sectors. It can thus be assumed that neither are sectoral distinctions important nor preferable to other competing classification schemes. Even if the ends may be different between organisations in different sectors, the means of achieving them may be essentially comparable. In other words, the transference of management practices, including the performance measurement approach, between both sectors is possible.

Perhaps the foundation of the debate on the transferability of the performance measurement approaches between organisations in the two sectors lies in people's belief about the nature of public organisations, as Noordegraaf and Abma highlighted:

Proponents of management by measurement 'believe' that public organisations 'are' normal production companies (and if they are not, that they should become so). Critics 'believe' that public organisations are unlike normal production companies (and if they are, they should not be).

Noordegraaf and Abma (2003)

Despite the fact that the discussions in section 5.2 earlier suggest that organisations in the private and public sectors are not identical, while some aspects of public organisations are different from business firms, others are very much similar. In view of this, the application of the performance measurement approach learned from one sector to the other should not be strictly prohibited, but rather, used with caution.

To summarise the review of performance measurement in public sector organisations in this section, it is important to point out that both business firms and public agencies alike share a very common performance measurement philosophy—despite some differences between sectors—that performance measurement can be used to provide performance data.

5.4 Distinctive Characteristics of Strategic Management in the Public Sector

Strategic management for public organisations is concerned with strengthening the long-term viability and effectiveness of the organisations. Poister and Streib (1999) suggested that effective public administration requires public agencies to develop a capacity for strategic management. A strong strategic management capacity is essential because it provides both a short-term and long-term sense of direction for a governmental agency, relative to its internal and external environments, which could shift continually.

The same authors also noted that changes in societal needs, political trends, intergovernmental relations, fiscal conditions and citizen expectations are likely to alter the mix of programmatic responsibilities and resource requirements facing public organisations. Anticipating these possibly substantial changes and adapting to them productively requires the type of forward-looking, flexible, and effective responses that a strong strategic management capacity can help to provide.

In a study of the distinction between strategic management in public and private organisations, Ring and Perry (1985) proposed four characteristics of the public sector that make strategic management in that sector distinctive. These characteristics include (1) policy ambiguity, (2) openness of the government to the attentive public, (3) time problems, and (4) coalition instability. Each of these characteristics will be explored in turn.

5.4.1 Policy ambiguity

In the public sector, policy/strategy is often stated in a more ambiguous way than is found in business firms. Authors in the strategic management field offered some explanations for this phenomenon. Allison (1983), for example, argued that separation of functional responsibility in public organisations frequently contributes to vagueness and/or ambiguity in policy and objectives. The author noted that the separation of the management functions in public organisations is not intended to promote efficiency as it does in businesses, but to prevent the arbitrary exercise of power.

Additionally, Baumer (1978) explained that the public sector's lack of policy clarity is derived from the need to create coalitions with multiple and often competing objectives, in order to pass legislation. In comparison, businesses generally operate within the framework consisting of a more limited number of relatively stable goals, thus facilitating the establishment of clear business strategy.

However, Mintzberg (1978) recognised that the conventional wisdom that emphasises the need to state strategy precisely may mislead public organisations that face a confusing reality because ambiguous policy/strategy allows public organisations to be more responsive to their unstable and changing goals.

Moreover, Ring and Perry (1985) noted that the unambiguous articulation of policy/strategy by public agencies can produce at least two counterproductive consequences. First, clearly articulated policy/strategy may serve as a rallying device for mobilising

political opposition. Second, a clear policy directive may lead public executives to believe that there is less need for judgements of nuance, and less need to exercise caution and discretion. Ambiguity in policy/strategy—a characteristic of many public organisations—therefore, may be an asset.

5.4.2 Openness of the government to the attentive public

Compared with business companies, public agencies have been regarded as more open to public attention. Ring and Perry (1985), for example, argued that it has been generally accepted that the policy of public organisations has a tendency to be exposed to public scrutiny much sooner, and to be scrutinised much more thoroughly. The media, in particular, has frequently been recognised as playing a major part in exposing such policy to the public. As a result, the relative openness of decision-making creates greater constraints for public sector management.

Nevertheless, the relative openness of public sector organisations is not defined exclusively by the attentiveness of the media. Public sector management must also pay attention to a diverse public because there is a rich variety of competing interests outside public organisations (Rainey *et al.*, 1976). For example, Warwick (1975) observed the existence of a wide variety of ‘*controllers*,’ ‘*higher authorities*,’ and ‘*monitors*’ in the public agencies’ external environment, all of which constrain the actions of the management of these agencies. Dereli (2003) argued that a well-founded strategy for public sector organisations would always have its base in public-wide opinions. Therefore, the openness

to the attentive public renders public sector strategic management generally subject to more direct and sustained influence from a greater number of interest groups than that of businesses.

5.4.3 Time problem

Although time constraints in both sectors may be equally severe, the sources and nature of these constraints are fundamentally different. Ring and Perry (1985) noted that public sector management must cope with time constraints that are more artificial than those that confront business management. The authors argued that time becomes a major constraining factor in the public strategic management processes in two important ways. The first is associated with the tenure of public officials—their length of stay with an agency. The second involves time constraints that are legislatively imposed, court imposed, or created by the exigencies of elective political office.

Therefore, time constraints for public organisations tend to be generated by legislatures, funding exigencies, or the employment length of public officials. All these time constraints are more common for public agencies and can affect the strategic management processes in these agencies.

5.4.4 Coalition instability

Ring and Perry (1985) noted a distinction between public and private sector strategic management; public sector executives, unlike those in the private sector, frequently must create coalitions to get policy/strategy passed. This condition is exacerbated by the great variety of public sector constituent groups with direct access to the policy-making process and direct interest in the performance of public agencies. Considering these constraints, policy formation in the public sector frequently is a process of coalition building involving diverse and competing interests (Ring and Perry, 1985). The authors maintained that policy legitimization coalitions are less stable in the public sector, and are more prone to disintegrate during policy implementation.

In addition, the dynamics of politics is also an important factor in public sector strategic management. In the context where politics changes frequently, public policy tends to change as often because newly elected officials who become the new policy-makers can often terminate the ongoing policies, imposing their own instead to gain political support. Changes in policy are likely to lead to managerial problems for public agencies because it changes the organisational context. This creates managerial constraints, which, in turn, require a specific response from public management.

Ansoff (1991) and Ring and Perry (1985) noted that the strategic management issues confronting not-for-profit/public organisations can be characterised using Mintzberg's (1978) typology of deliberate (intended and realised), unrealised (intended but not realised), and emergent (realised but not intended) strategies, already discussed in section

3.5 earlier. Given the previous arguments—regarding policy ambiguity, open and intense influence processes, coalition instability, and the frequent policy changes—public organisations can be characterised as low on deliberate strategy and high on emergent and unrealised strategy. If this characterisation is correct, any manager who is unable, for instance, to relinquish intended strategies in order to pursue emergent strategies is likely to be unsuccessful, if not completely fail. Therefore, the most effective public managers, in contrast to their private counterparts, avoid rigid strategy, adapting instead to the ever-changing context (Porter and Van Maanen, 1970).

This notion implies that the attention to emergent rather than intended strategies may be a key feature of successful strategic management in the public sector, where the contexts are essentially dynamic. Hartley and Allison (2000), for example, commented that public managers are in an environment of change, flux and uncertainty, where the problems and the solutions are not always known. This requires an approach which is not only about the ‘*implementation*’ of pre-specified policies/strategies, but the ‘*enactment*’ or ‘*emergence*’ of outcomes. Ring and Perry (1985) also argued that evidence supports the conclusion that strategy in the public sector tends towards the emergent, rather than the deliberate, due to the dynamic nature of public sector strategic management.

Owing to its distinctive characteristics, a conclusion that can be drawn is that strategic management in the public sector is extremely difficult (Ring and Perry, 1985). The constraints imposed by openness and multiple constituent groups of interest, coupled with contingencies of time, when compounded by policy ambiguity, can create significant problems in the implementation of policy/strategy (Pressman and Wildavsky, 1979).

For example, performance measurement, as an essential integral part of strategic management, appears to be problematic in the public sector. As Oster (1995) noted that—for public agencies—goals are often typically rather diffuse, not easily quantified, and not always shared by all constituents.

However, Wortman (1979) argued that these observations about the evaluation of public sector strategic management are not to be used as an apology for its inadequacies, but instead, to illustrate the subjectivity and probable biases of conventional wisdom premised on business sector norms.

5.5 Alignment between Performance Measurement and Strategy in Public Sector Organisations

Overall, the reviews of the existing literature regarding performance measurement (Chapter 2), strategic management (Chapter 3), alignment between performance measurement and strategy (Chapter 4), and strategic performance measurement in the public sector (Chapter 5) suggested that managers in either private or public organisations can employ performance measurement for a variety of purposes. However, for performance measurement to be strategically effective, it must be—to some degree—aligned with the organisations' overall strategy, so that it helps to focus all activities and processes to achieve the common strategic objectives, not others.

Organisations that are confronting high policy/strategy volatility, such as those in the public sector, are more likely to experience strategic dissonance—the incongruence of strategic intent and actions. According to Burgelman and Grove (1996), this dissonance is inevitable, since it is a natural outcome of the internal and external dynamic forces that move and shake organisations and their environment. However, such strategic dissonance can be viewed as an opportunity for management to learn about the changing reality of the world that the organisation faces and the new opportunities generated by its own competencies.

The management of these organisations should be able to extract benefits from strategic dissonance, in order to create the organisational learning necessary to deal with the problems in the future. Strategy-aligned performance measurement can play an important role in helping management to recognise the incongruence of the organisation's strategy, as well as the way it works towards accomplishing strategic objectives.

Considering that public sector organisations' policy/strategy tends to be highly volatile, learning from these organisations the way in which they manage the alignment between performance measurement and strategy might yield considerable benefits to management practice. The knowledge learned from the public sector organisations not only helps in gaining greater understanding of strategic performance measurement in the public organisations subject to policy/strategy instability, it might also help to shed light on the private sector organisations as well. In this sense, the studies of the alignment between performance measurement and strategy in public sector organisations seem to have the

potential to highlight managerial implications both for public sector and business management.

Moreover, and perhaps more importantly, the studies promise to contribute to the body of knowledge currently available in this field. The literature review suggested that there appear to be a limited number of scholarly studies on the topic from the public sector practitioners' perspectives. This can perhaps be regarded as a weakness in the researching into this topic within the broader performance measurement research area. This is because the topical basis, both theoretically and empirically, seems yet to be settled, while the researchers as well as the practitioners appear to skip—too hurriedly perhaps—to apply the knowledge as a normative concept (e.g. the alignment has already been claimed as a fundamental to effective performance measurement).

Therefore, in addition to managerial implications, the empirical research into the alignment between performance measurement and strategy in public sector organisations is likely also to make a contribution to the body of knowledge in management science.

5.6 Research Question

The importance of the alignment between performance measurement and strategy in public sector organisations appeared to lie mainly in the following reasons:

- Review of the literature suggests that the topic represents a gap in the performance measurement/management body of knowledge.
- Literature review also suggests that performance measurement should be aligned with strategy but there still is a lack of understanding on the topic especially within the public sector context.
- Since strategies in public sector organisations appear to be volatile, researching into the topic within this context might teach some valuable lessons to organisations in the context with less strategic volatility.
- There is a lack of empirical evidence supporting the notion of the alignment.

Considering these reasons, it is sensible to conduct a research into the topic within the public sector especially with the central government context being focused. In so doing, the aim of this research is to investigate the following question and its sub-questions:

How, in central government agencies, is the alignment between performance measurement and strategy managed?

- *How are performance measures, performance measurement systems, performance measurement, and performance management understood?*
- *How is the performance measurement-strategy tension perceived?*
- *Is there performance measurement-strategy alignment?*

Following the review of research methodology in the next chapter, the justification for this choice of research context (i.e. central government), as well as other theoretical considerations underpinning the research methods of choice, will be discussed in detail later, in Chapter 7.

5.7 Summary

There exist at least three conceptual approaches in analysing private and public sector organisation distinctions: generic approach, core approach, and dimensional approach. The generic approach argues that organisations in both sectors are identical, while the core approach argues that they are different. Alternatively, the dimensional approach maintains that all organisations can be considered as more public in some dimensions and more

private in others, based on the extent to which they exercise, or are constrained by, political and economic authority.

However, regardless of the conceptual framework used in analysing the distinctions of organisations across sectors, five more frequently cited distinguishing characteristics can be identified, including (1) market and economic incentives, (2) ownership, (3) accountability to the stakeholders, (4) openness to the environment, and (5) rules and constraints.

The concept of performance measurement in the public sector appears to differ from that in the private sector in at least five ways: (1) the measurement purpose (e.g. public organisations' performance measurement tends to focus more on external requirements), (2) the goals to be measured (e.g. public organisations have amorphous goals), (3) the measurement focus (e.g. public organisations lack consensus performance measurement focus), (4) the measurement stakeholders (e.g. public organisations have more groups of constituents to satisfy), and (5) measurement accountability (e.g. public organisations lack sound representative measures for accountability).

Five common problems inherent in public sector performance measurement include (1) the difficulty in identifying what is to be measured, (2) the difficulty in satisfying various constituent groups, (3) the difficulty in searching for representative measures, (4) the bias of the measurement approach (e.g. on public service providers rather than clients), and (5) the validity of assumptions in public sector performance measurement philosophy (e.g.

public agencies do not depend on their performance for survival, and thus use performance measurement merely to fulfil external report requirements or to appear rational).

Although performance measurement in the public sector appears not to be identical to that of the private sector, there exists no convincing evidence prohibiting the transference of the performance measurement approach between sectors.

The distinctive characteristics of strategic management in the public sector are due to the policy ambiguity, the openness of the government to the attentive public, the problem of time, and the coalition instability.

Overall, the literature review suggested that the lack of understanding in the alignment between performance measurement and strategy in the public sector represents a gap in the body of knowledge. In order to provide greater understanding of the alignment, this research, therefore, investigates the following main question: *how, in central government agencies, is the alignment between performance measurement and strategy managed?*

Having established the research question, it becomes important to review research methodologies, in order to justify the appropriate research methods for this study. Therefore, the research methodology and available research methods will be reviewed in the next chapter.

CHAPTER 6

Research Methodology

6.1 Introduction

The review of literature in the preceding chapters led to the research question proposed in the last chapter. However, before moving on to explore this question in more depth, it is essential to understand the philosophy that underpins the research methodologies of the social sciences.

The relationship between philosophy and social sciences has a long history. Hughes and Sharrock (1997), for example, noted that social sciences often regard themselves as following the natural sciences, the product of a split within philosophy. Unlike the natural sciences, the social sciences have not, for the most part, been able to dissociate themselves from philosophy. Philosophical issues continually provide the fundamental questions social sciences ask about the nature of their appropriate subject matter, their intellectual provenance, their investigation rationales, and above all, the validity and appropriateness of their methods.

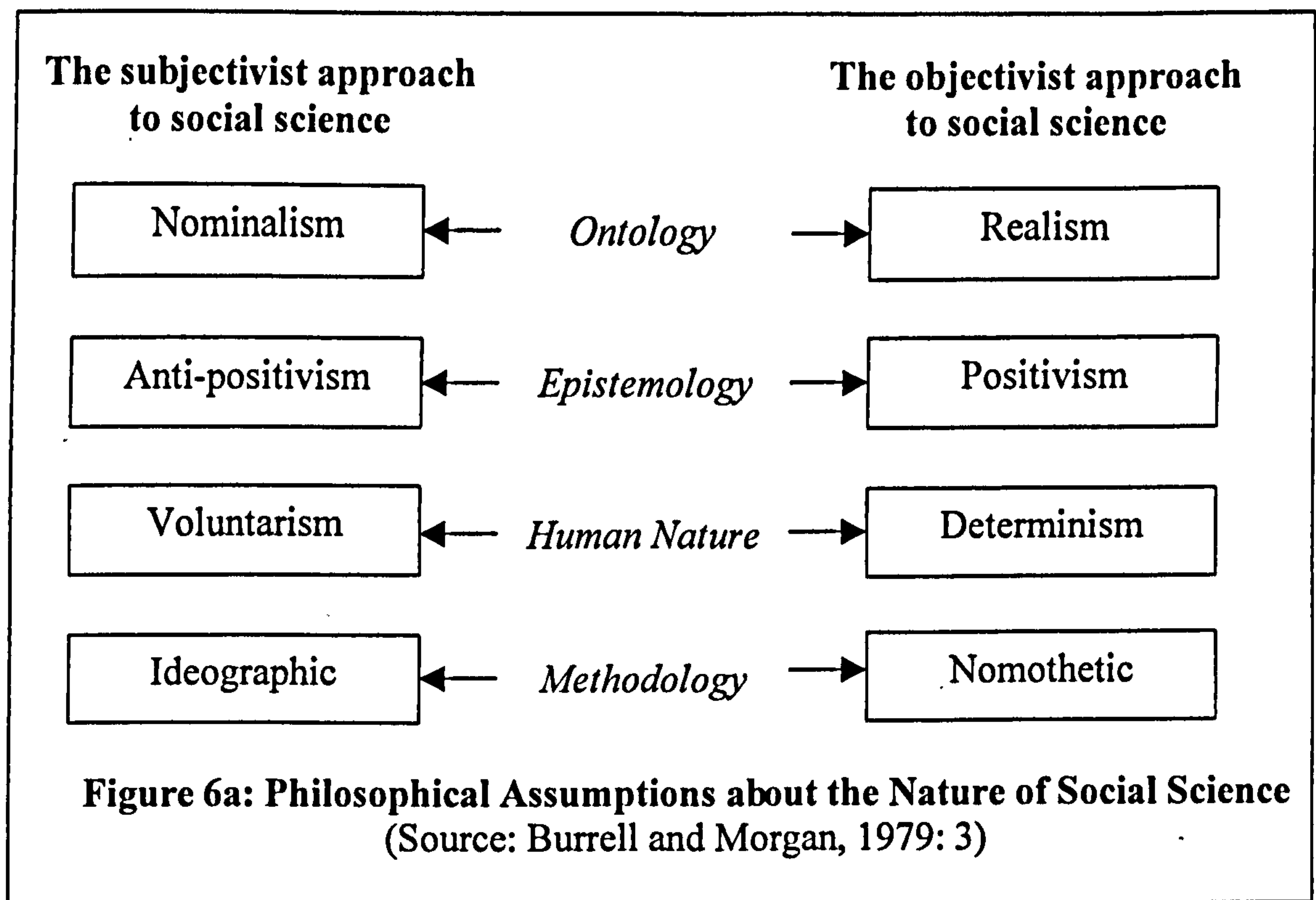
The purpose of this chapter is to review the philosophy of social sciences and the available research methodologies, in order to justify the research methods of this study, which will be discussed in the following chapter. In so doing, six issues will be explored:

- Philosophical assumptions about the nature of social science
- Differences between deduction and induction
- The nature of research
- Research paradigms
- Framework for research methods
- The nature of this research

6.2 Philosophical Assumptions about the Nature of Social Science

Much of social science thinking with regard to methodology is shaped by one or other conception of the general nature of science (Hughes and Sharrock, 1997). All social science researchers approach their subject via explicit or implicit assumptions about the nature of the social world and the way in which it may be investigated (Burrell and Morgan, 1979). Social scientists, in conducting any research, hold at least four sets of assumptions—ontological, epistemological, methodological and those pertaining to human nature.

Adopted from Burrell and Morgan (1979), figure 6a depicts these four sets of assumptions from both subjective and objective perspectives.



These assumptions will be reviewed in turn.

6.2.1 Ontology

Ontology is the theory of reality (Burrell and Morgan, 1979; and Smith, 1998) or nature of being in the world (Radnor, 2001). Burrell and Morgan (1979) asserted that assumptions of an ontological nature are those which concern the very essence of the phenomena under investigation. The authors also noted basic ontological questions frequently encountered by social scientists, such as whether the '*reality*' to be investigated is:

- external to the individual, or the product of individual consciousness.
- of an '*objective*' nature, or the product of individual cognition.

- a given '*out there*' in the world, or the product of one's mind.

According to Burrell and Morgan (1979), nominalism and realism represent two polar assumptions regarding social reality. On the one hand, nominalists assume that the social world external to individual cognition is made up solely of concepts and labels which are used to structure reality. In other words, from the nominalists' perspective, there is no '*real*' structure which may be described by concepts and labels. These concepts and labels, or the '*names*' used, are regarded as artificial creation utilised for convenience as tools for describing and making sense of the external world.

Realists, on the other hand, assume that the social world external to individual cognition is real and made up of hard, tangible and relatively immutable structures. According to the realists, regardless of the use of concepts and labels to describe the social structures, they still exist as empirical entities. Individuals may not even be aware of the existence of certain structures and therefore, may have no concepts or labels to articulate them. For realists, the social world exists independently of an individual's appreciation of it and has a reality of its own. It is not something which the individual creates—it exists '*out there*' prior to the existence and consciousness of any individual. Therefore, the social world for the realists has an existence which is as concrete as the natural world.

6.2.2 Epistemology

Epistemology is a branch of philosophy that investigates the nature of knowledge (Radnor, 2001; and Smith, 1998). It is the study of knowledge construction, as distinct from ontology, the study of reality.

To differentiate between these two polar epistemological perspectives, many terms have been used by different commentators, for example, Positivistic versus Anti-positivism (Burrell and Morgan, 1979), Positivistic versus Hermeneutic (Gummesson, 2000), Positivist versus Phenomenological (Easterby-Smith *et al.*, 1991), Positivist versus Interpretative (Hughes and Sharrock, 1997; and Riley *et al.*, 2000), and Positivist versus Interpretivist (Meredith *et al.*, 1989).

Perhaps Burrell and Morgan's (1979) terms—Positivism versus Anti-positivism—convey more explicitly and clearly the polar meanings. The authors used the terms positivism and anti-positivism as distinctly different epistemological vantage points; as two extremes. The term positivism is used to characterise epistemologies which seek to explain and predict what happens in the social world by searching for regularities and causal relationships between its constituent elements. The term '*positive*' refers to '*observable*' data, which is sensory experience of external objective reality (Meredith *et al.*, 1989). The positivist approach holds that only empirically verifiable or analytic propositions are meaningful.

In contrast, Burrell and Morgan (1979) asserted that anti-positivist epistemology rejects the utility of a search for laws or underlying regularities in the world of social affairs. For the anti-positivist, the social is essentially relativistic and can only be understood from the point of view of the individuals who are directly involved in the activities under study. For this reason, anti-positivists maintain that one can only understand by occupying the frame of reference of the participant in action; it is necessary to understand from the inside rather than the outside. From the anti-positivistic perspective, social science is seen as being essentially subjective rather than objective. Anti-positivists tend to disprove the objective construction of knowledge of any kind.

An example of epistemological debate is that between the rationalists (e.g. René Descartes and Baruch Spinoza)—the positivistic advocates, and the empiricists (e.g. Francis Bacon, John Locke, and David Hume)—the anti-positivistic advocates. On the one hand, rationalists rely exclusively on the assumption that reason is the only reliable source of human knowledge. In the most general application, rationalism offers a naturalistic alternative to appeals to religious accounts of human nature and conduct. More specifically, rationalism is the epistemological theory that significant knowledge of the world can best be achieved by *a priori* means independent of sensory experience. Therefore, rationalists rely more on deductive methods in acquiring knowledge about the social world.¹

Empiricists, on the other hand, rely on experience as the source of ideas and knowledge. The empiricists maintain that nothing can be thought without first being sensed.

¹ The differences between deduction and induction will be discussed in section 6.3.

The central doctrine of empiricism is that '*nothing is in the understanding that was not earlier in the senses*'. From the empiricists' point of view, knowledge about the world must be acquired by *a posteriori* means. That is to say, knowledge relies upon specific information derived from sense perception, leading to a more inductive approach.

6.2.3 Human nature

Assumptions about human nature revolve around the issue of what model of human being is reflected in any given social-scientific theory. At the subjective extreme, voluntarists view the human being as completely autonomous and free-willed. In contrast, adopting an objective standpoint, determinists view a human being and her or his activities as being completely determined by the situation or environment in which s/he is placed.

This kind of assumption is an essential element in social-scientific theory, since it defines in broad terms the nature of the relationships between the human being and the society in which s/he lives.

6.2.4 Methodology

The three sets of assumptions outlined above have direct implications of a methodological nature. Each one has an impact on the way researchers attempt to investigate social phenomena in order to gain knowledge about the social world. Social scientists who hold

different assumptions about ontology, epistemology and human nature are thus likely to incline towards different methodologies.

On the one hand, at the subjective extreme, an ideographic approach to social science is based on the view that one can only understand the social world by obtaining first-hand knowledge of the subject under investigation. This approach thus emphasises the analysis of the subjective accounts which one generates by '*getting inside*' situations and involving oneself in everyday life. The ideographic method stresses the importance of letting one's subject reveal its nature and characteristics during the process of investigation

On the other hand, at the objective end of the spectrum, the nomothetic approach lays emphasis on the importance of basing research upon systematic protocol and technique. This is epitomised in the approach and methods employed in the natural sciences, which focus upon the process of testing hypotheses in accordance with the canons of scientific rigour. It is also focused upon the construction of scientific tests and the use of quantitative techniques for the analysis of data.

According to Burrell and Morgan (1979), these four sets of assumptions with regard to the nature of social science provide a considerably powerful tool for the analysis of social theory. The authors thus suggested that social scientists should treat these four sets of assumptions as analytically distinct. It was also noted that while in practice there is often a strong relationship between the positions adopted on each of the four strands, assumptions about each can, in fact, vary considerably.

However, Radnor (2001) suggested that since the purpose of social science is to understand social reality as different people perceive it and to demonstrate how their views shape the action which they take within that reality, ontological and epistemological considerations have especially been influential in generating the paradigm within which social science research is situated.

6.3 Differences between Deduction and Induction

The terms deduction and induction are important for an understanding of theory construction (see, for example, Riley *et al.*, 2000). Nevertheless, both can also be the source of some confusion. This section therefore reviews differences between deduction and induction.

6.3.1 Deduction

Deduction is the process which begins with theory and proceeds through hypothesis, data collection, and hypothesis testing to deduce explanations of particular phenomena. Thus, a deductive research method begins with the development of a concept or theory prior to its testing through empirical observation.

Gill and Johnson (1991) summarised the process of deduction as being divided into four major stages:

1) Theory/hypothesis formulation

In this stage, the researcher decides which concepts represent important aspects of the theory or problem under investigation. Concepts are then linked together in a causal chain by theory/hypothesis.

2) Operationalisation

In this stage, the asserted relationships between concepts provided by the theory are translated into observable indicators, to enable them to become empirically testable.

3) Empirical testing of theory/hypothesis

In this stage, the assertions put forward by the theory/hypothesis are compared with the '*facts*' collected by observation of data from the empirical world.

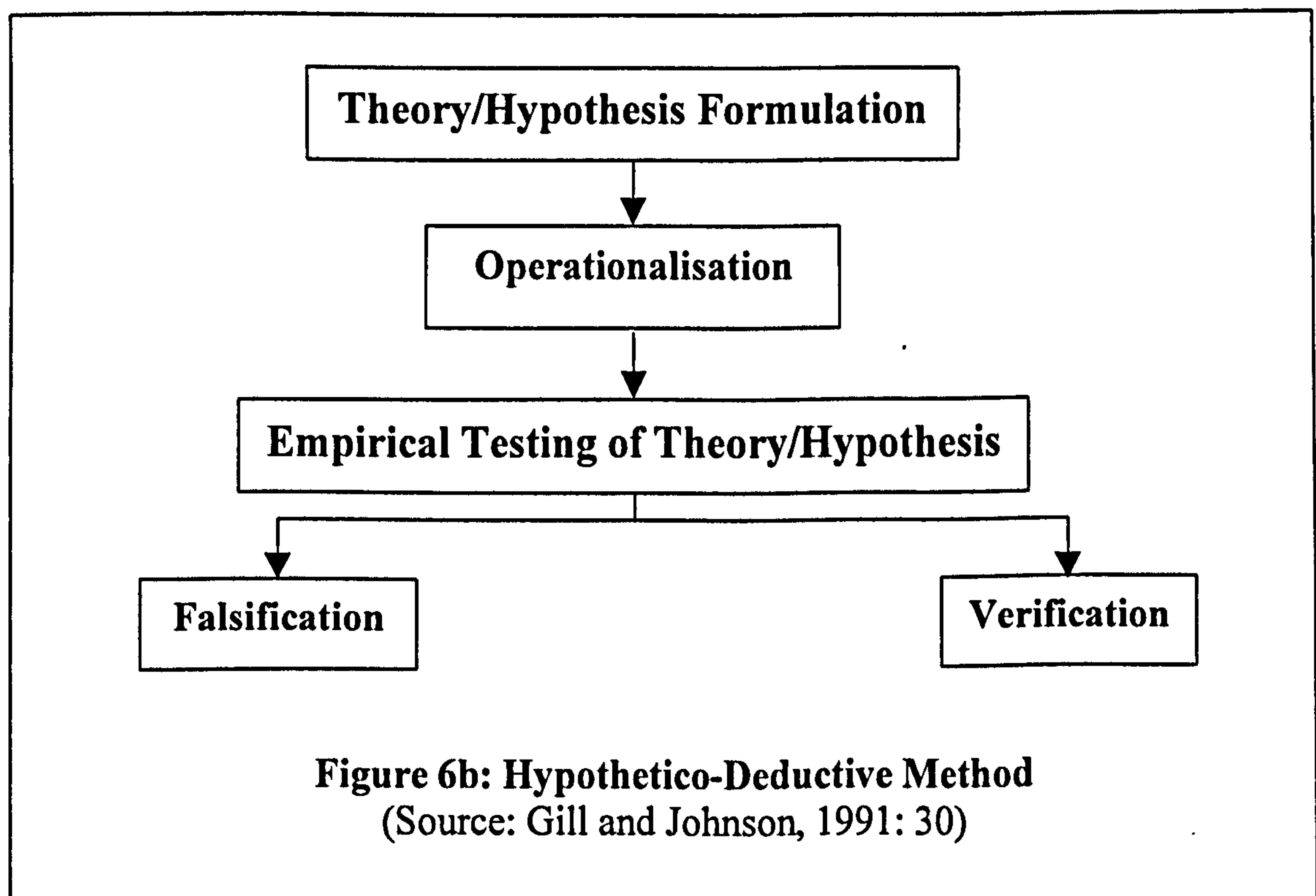
4) Falsification or verification of theory/hypothesis

In this stage, a theory/hypothesis is either refuted or verified. If rejected, the theory/hypothesis is discarded. However, if verified, the yet falsified covering laws are created.

According to Popper (1972), the refutation or verification of a theory/hypothesis is subject to the '*problem of induction*'. This problem arises because the testing of a theory/hypothesis inevitably involves a finite number of observations; and even if every

observation that is made confirms the assertions put forward by a theory, researchers can never be certain whether some future observations might demonstrate instances in which the theory does not hold.

Popper then eschews '*verification*', in which scientists attempt to prove or justify their theories, by proposing the maxim of '*falsification*', in which scientists must attempt to refute their theories. If the falsification attempt proves unsuccessful, the hypotheses or theories are tentatively accepted. For Popper, knowledge grows through the above process of deduction—known as '*hypothetico-deductive method*'—whereby error is removed. This method is summarised in figure 6b.



Gill and Johnson (1991) also noted that the hypothetico-deductive approach is closely bound up with positivism, the main features of which are the view that, in order for social

science to advance, knowledge produced and explanations used in social science should be the same as those proffered by the natural sciences; and that social scientists should treat their subject matter (i.e. social world) as if it were the same as the natural world of the natural scientist.

It is out of the objections to the implications and assumptions of such a conception of social science offered by the deductive approaches that particular inductive approaches to research arise.

6.3.2 Induction

According to Gilbert (1993), induction is the process by which the exploration and analysis of related observations leads to the construction of a theory that systematically links such observations in a meaningful way. Inductive reasoning consists of observation leading to generalisation. In sharp contrast to the deductive approach, in which a conceptual and theoretical structure is developed prior to empirical research, theory is the outcome of induction.

Inductive researchers build theory from observations and intuitive understandings gained from empirical evidence. In contrast to deductive researchers, who *hope to find data to match a theory*, *inductive researchers hope to find a theory that explains their data* (Goetz and LeCompte, 1984). Typical findings are in the form of themes, categories, typologies, concepts, tentative hypotheses or theories which have been induced from the data.

Theory plays a central role in inductive empirical science, even though the role of theory in inductive research is different from that in deductive research. While the deductive approach commences research with governing theory, the inductive approach ends with theory because *the final products of empirical science are the laws and generalisations which are called theory* (Mouly, 1970).

Gill and Johnson (1991) maintained that the modern justification for the use of the inductive approach in the social sciences tends to revolve around two related arguments:

- Explanations of social phenomena are relatively worthless unless they are grounded in observation and experience. The authors noted that perhaps the most influential work supporting this view is Glaser and Strauss' (1967) '*The Discovery of Grounded Theory: Strategies for Qualitative Research*'. In this, Glaser and Strauss argued that in contrast to the speculative and *a priori* nature of deductive theory, the inductively developed theory is more likely to fit the data and thus, is more likely to be useful, plausible, and accessible.
- The debatable philosophical assumptions embraced by positivism (including the hypothetico-deductive approach). One of the main themes of positivism and of much of the deductive tradition in the social sciences is the conception of scientific method constructed from what is assumed to be the approach in the natural sciences. This entails the construction of covering-laws that explain past and predict future observations, through causal analysis and hypothesis testing. The format of this explanation and prediction is:

A causes B
or
variation in A causes variation in B
that is,
stimulus A causes response B

However, supporters of induction in the social sciences rejected the appropriateness of the above causal model (see, for example, Riley *et al.*, 2000). It was claimed that social phenomena are the products of human action and that the study of people and their actions is not amenable to the research techniques most closely associated with positivism. There are fundamental differences between the subject matter of the social sciences (human beings) and the subject matter of the natural sciences (physical objects), from which the covering-law model was created. For example, people are directed and capable of making choices. They are not inanimate, and their behaviour is not readily understood in terms of simple causal factors.

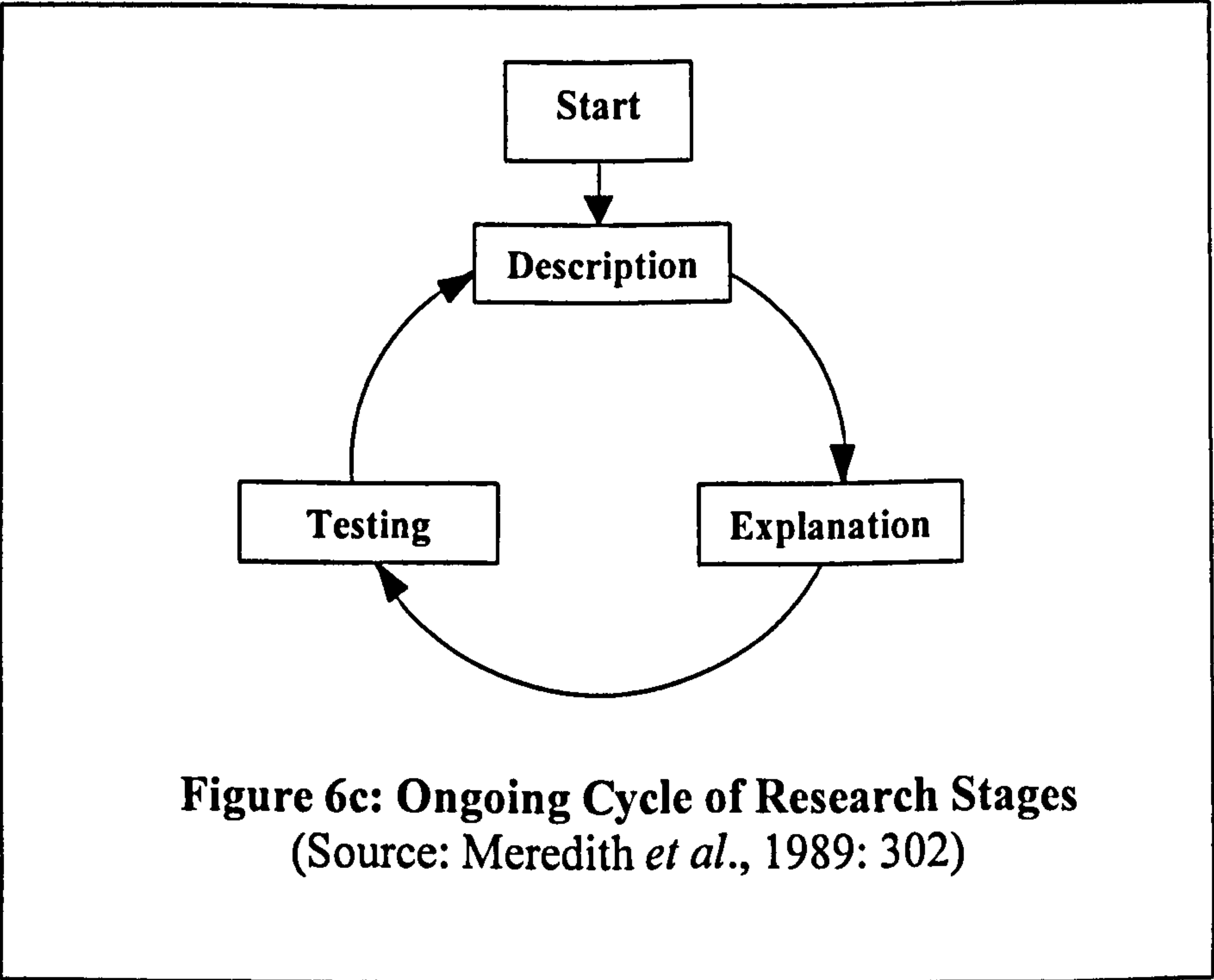
An inductive approach to research is sometimes regarded as empiricism. For example, Sax (1968) noted that *the basic form of reasoning used by empiricists is induction, which draws general conclusions from specific observations.*

There are some difficulties with the deductive/inductive approach that should be noted. For example, it appears that the role of deduction is confined to developing theory; however, this is a claim also made for induction. This and related problems are controversial among scholars. On the one hand, the anti-inductivists have claimed that inductive arguments in reality proceed using the hypothetico-deductive method

(Riley *et al.*, 2000). On the other hand, although called hypothetico-deductive, the method is, in fact, inductive (Shulver, 2001).

6.4 The Nature of Research

Despite the argument with regard to whether the best research is that which proposes knowledge or that which validates knowledge, all research investigations involve a continuous, repetitive cycle of description, explanation, and testing (Meredith *et al.*, 1989). Thus, proposing knowledge (explanation) and validating knowledge (testing) simply are two stages in the ongoing cycle of research. An individual research study may involve only one of the stages in the cycle at a time. Figure 6c illustrates the ongoing cycle of research stages.



Meredith *et al.* (1989) asserted that the description stage must precede the explanation and testing stage, thus discussing each stage respectively.

6.4.1 Description

Descriptive research seeks to report and chronicle elements of situations and events. The result from descriptive research is a well-documented characterisation of the subject of interest that may be used for generating or testing theories, frameworks and concepts regarding the situation.

A finer, more detailed level of description may require an exploratory study which investigates a particular aspect more fully, based on the understanding that the preliminary descriptive research provided. The result of the exploratory research is more detailed description that may lead to further insight and understanding.

6.4.2 Explanation

Explanation is *a topically unified communication, the content of which imparts understanding of some scientific phenomenon* (Scriven, 1962). Meredith *et al.* (1989) summarised Hospers' (1956) three common interpretations of the explanation of a phenomenon as:

- Stating the phenomenon's goal or purpose
- Showing the phenomenon to be an instance of a familiar phenomenon
- Bringing the phenomenon under a law (an existing or a new one)

6.4.3 Testing

This final stage in the ongoing cycle of research stages involves the determining of which concepts are correct and which false, and the way to modify or expand them. The process commonly involves a prediction based on the explanation constructed in the previous stage, and then observation to determine if the prediction was correct. Alternatively, a prediction may be postulated and then checked against observations already made or included in the description. This testing stage is often claimed to be '*true research*', perhaps because of the rigour of the commonly used tools of statistics or experimentation seemingly lend to this activity.

Following testing of the concepts, more description follows concerning other or more detailed aspects of the situation, more exploratory investigation is conducted, and new concepts or modifications are developed to be tested in turn. Thus, the cycle of learning and research continues.

6.5 Research Paradigms

Meredith *et al.* (1989) described a research paradigm as a set of methods that all exhibit the same pattern or element. In the same work, the authors provided examples of various ways of classifying research paradigms from previous studies. Among those, Beged-dov and Klein (1970), for example, classified research in management science in terms of formalism or empiricism. Reisman (1988) categorised the range of management and social science research strategies in terms of a Venn diagram-type of framework, and Chase (1980) offered a matrix framework for classifying the research conducted in operations.

Moreover, Burrell and Morgan (1979) classified the analysis of social theory into four paradigms, including functionalist, interpretive, radical structuralist and radical humanist. The authors regarded these paradigms as being defined by basic meta-theoretical assumptions which underwrite the frame of reference, mode of theorising and *modus operandi* of the social theorists who operate within them.² Therefore, in these authors' view, social scientists operating in different research paradigms seem to view the world differently based upon different meta-theoretical assumptions with regard to the nature of science and of society.

Even though social research paradigms can possibly be classified differently, it was in Meredith *et al.* (1989) that research paradigms were classified to better fit operations. Owing to the operations nature of this research, these authors' classification of research paradigms appears to be more relevant and has, thus, been adopted.

² These assumptions have already been discussed in section 6.2.

According to Meredith *et al.* (1989), there are possibly two dimensions in classifying research paradigm. The first is the '*rational/existential dimension*', which concerns the nature of truth and whether it is purely logical and independent of human being or whether it can only be defined relative to individual experience. The second is the '*natural/artificial dimension*', which concerns the source and kind of information used in the research. Each of these dimensions will be reviewed in turn in the following two sections.

6.5.1 The rational/existential dimension

According to Meredith *et al.* (1989), this dimension relates to the epistemological structure of the research process itself. It represents researchers' viewpoints of the way in which knowledge can be created.

At one extreme is rationalism, which uses a formal structure and pure logic as the ultimate measure of truth. At the other extreme is existentialism, in which knowledge is acquired through the human process of interacting with the environment. From the existentialists' point of view, an individual's unique capabilities together with the environment are regarded as the basis of knowledge. While rationalism conforms to the traditional deductive approach to research, existentialism conforms to an inductive approach.

Meredith *et al.* (1989) noted four generic perspectives in the rational/existential dimension, by different degrees of formalism. The four perspectives—in order of degree of formal

structure from most to least—are axiomatic, logical positivist/empiricist, interpretive, and critical theory. These perspectives will be explored in turn.

Axiomatic perspective

The axiomatic perspective represents the theorem-proof world of research. A high degree of knowledge is assumed, *a priori*, about the goals and the socio-technical structure of the organisation. The key organising concepts are the presence of formal procedure characterised by scientific management principles.

Logical positivist/empiricist perspective

This perspective assumes that the phenomenon under study can be isolated from the context in which it occurs, and that facts or observations are independent of the laws and theories used to explain them. Yin (1993) noted that social science research is usually based on this philosophical school of thought, which espouses the practice of research based on the collection and analysis of empirical data. Findings and conclusions are then derived from these data.

Interpretive perspective

This perspective includes the context of the phenomenon as part of the object of study. Interpretive researchers study people rather than objects, with a focus on meanings and interpretations rather than behaviour. The purpose is to understand how others construe, conceptualise, and understand events and concepts. Interpretivist researchers consider facts as dependent on the theory or the observer. Interpretive researchers offer explanations by placing behaviour in a broader context in which the behaviour makes sense.

Critical theory perspective

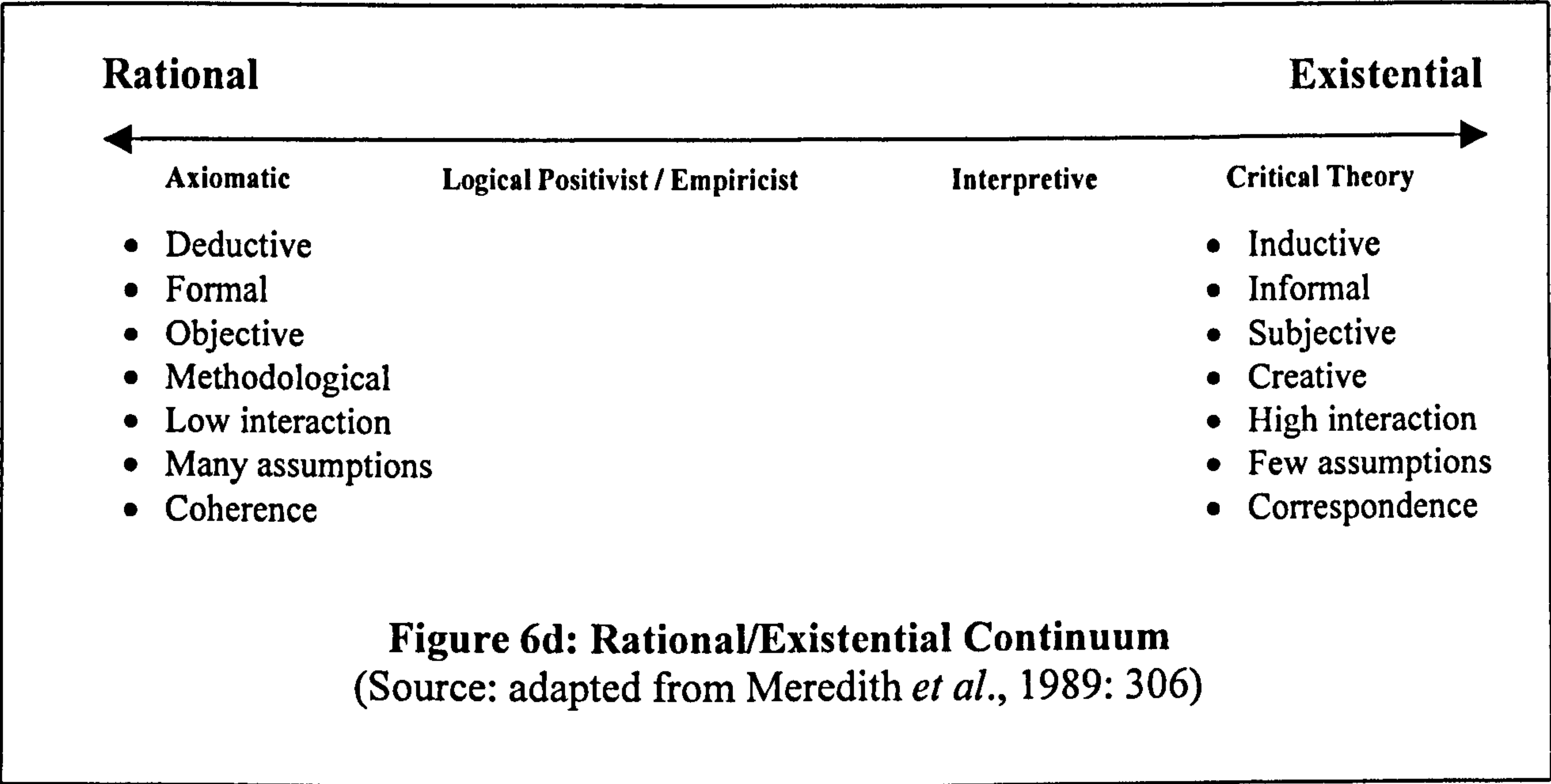
This perspective is an attempt to synthesise the positivist and interpretive perspective and overcome their dichotomy by placing knowledge in the broader context of its contribution to social evolution. The positivist and interpretivist perspectives are considered dialectically interrelated. This perspective transcends the contradiction between the way people behave in practice and the way they understand themselves to be acting.

Measure of the dimension

Meredith *et al.* (1989) asserted that a number of measures can be implemented in the rational/existential dimension to help clarify the continuum. On the one hand, the rationalists research process tends to be deductive, more formally structured, objective, methodologically prescribed, minimally interactive with environment, *a priori*, and in accord with existing theories or laws.

In contrast, the existentialist research process tends to be inductive, less formally structured, subjective, more creative with less methodological prescriptions, highly interactive with the environment, *a posteriori*, and concerned more about the correspondence of findings to the real world than their accord with theories.

The rational/existential dimension can be summarised in the following figure.



6.5.2 The natural/artificial dimension

This dimension concerns the source and kind of information used in research, ranging from purely natural to purely artificial. At the natural end of the continuum is empiricism (deriving explanation from concrete, objective data), while at the artificial end is subjectivism (deriving explanation from interpretation and artificial reconstruction of reality).

Meredith *et al.* (1989) noted that a researcher’s perception of reality is moulded by the mechanisms used to study the phenomenon. The authors broadly classified these mechanisms into three categories, including object reality, people’s perceptions of object reality, and artificial reconstruction of object reality. These three mechanisms will be reviewed in turn.

Object reality

Object reality refers to direct observation by the researcher of the phenomenon. It assumes that an object has an independent reality detectable through human senses. The observation may be subjected to formal structured analysis or to interpretation using critical theory.

People's perceptions of object reality

The primary concern is the perception or abstract representation of the reality of individuals exposed to the phenomenon. This mechanism studies the phenomenon by use of the second source methods, '*through somebody else's eyes*'.

Meredith *et al.* (1989) noted that researching through people's perceptions of object reality is sometimes the only efficient and effective way to obtain information about the phenomenon of interest in operations in which a number of constructs are difficult through researcher's direct observation. In such situations, an assessment of people's perceptions may yield significant insights into the underlying explanation of the phenomenon. Research conducted through this mechanism is that which employs survey studies and interviews.

Artificial reconstruction of object reality

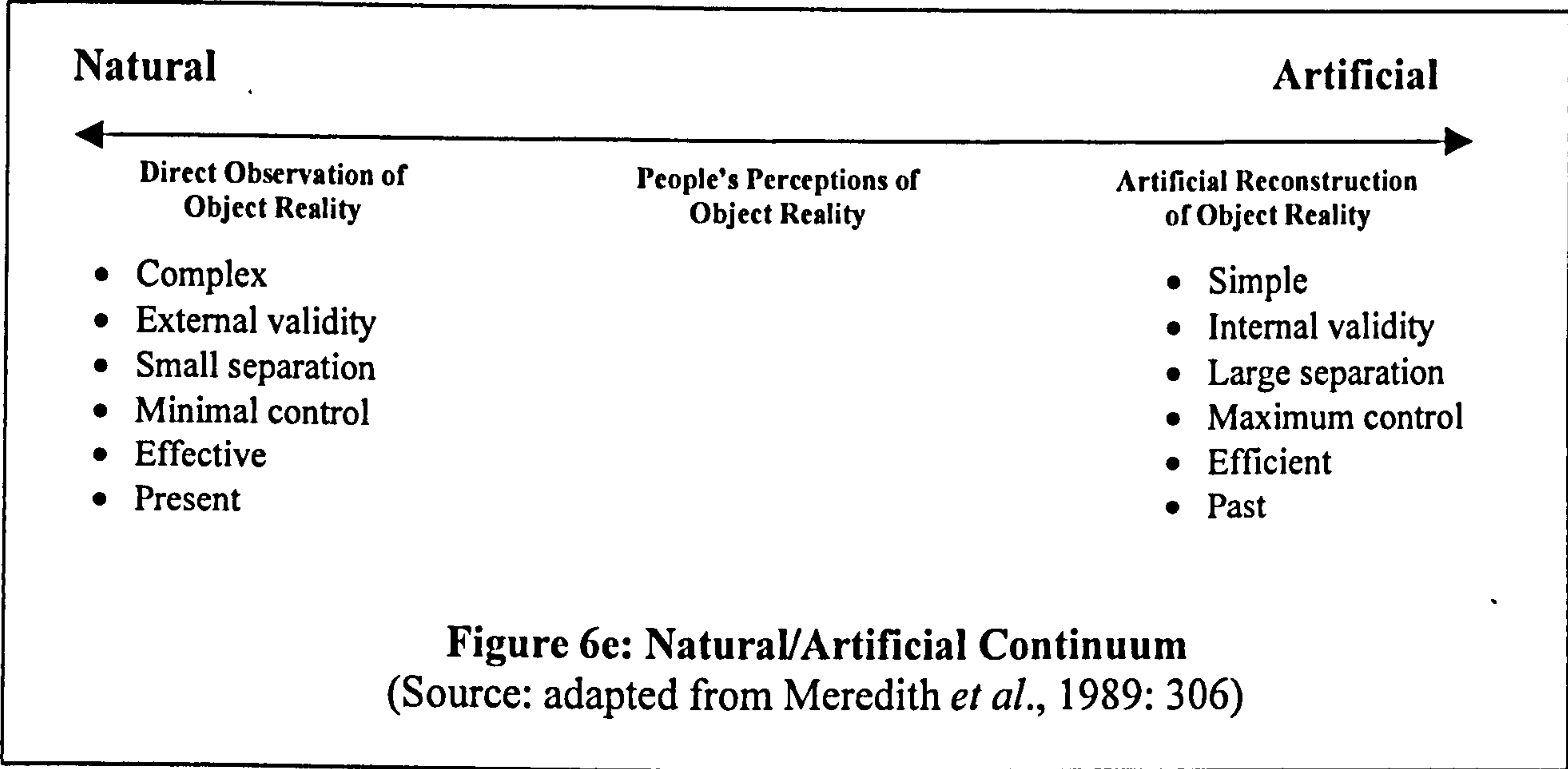
This approach recasts the object reality into another form that is more appropriate for testing and experimentation, such as analytical models, computer simulations, or information constructs. Generally speaking, an artificial reconstruction of object reality is attempted in almost all the modelling and systems analytic efforts.

Measure of the dimension

As with the rational/existential dimension, Meredith *et al.* (1989) proposed a number of measures to describe the continuum of the natural/artificial dimension. On the one hand, at the natural end of the continuum, the research process is more directly concerned with real phenomena, less concerned with reliability and more with externally generalisable validity, closer to reality, less controllable, less efficient, and more current.

On the other hand, in contrast, at the artificial extreme of the continuum, the research process uses highly abstracted and simplified models, more concerned with reliability and internal consistency. At this extreme, the researchers are separated from the phenomenon. Research processes are highly controllable through the use of *a priori* constructs to specify the information to be collected, and are also highly efficient, since aberrations do not have any causal source. Finally, the resultant research is dated, since the specification of the constructs or models takes most of the researcher's time and pushes the natural phenomenon further into the past.

The natural/artificial dimension can be summarised in the following figure:

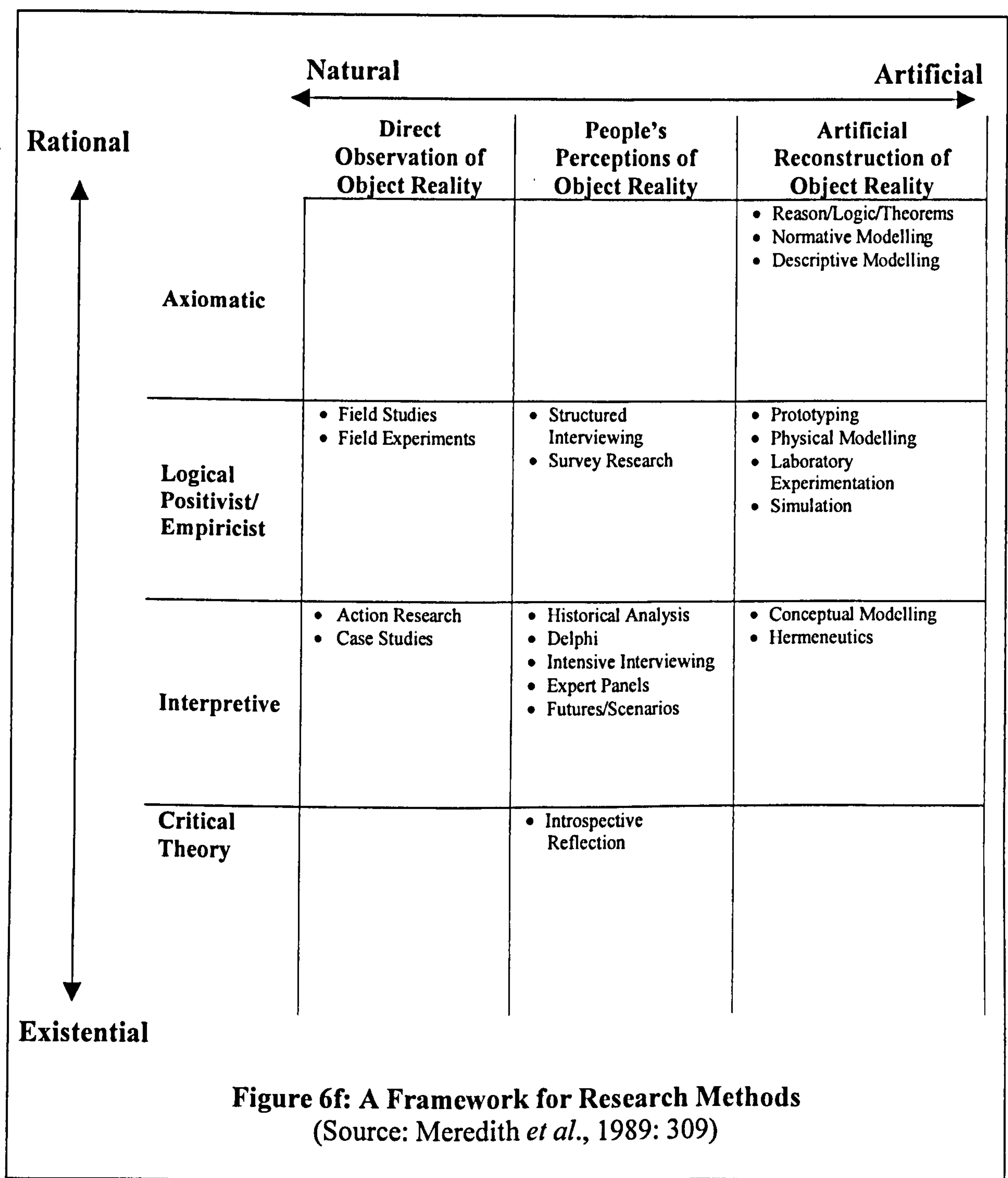


Both the rational/existential dimension and the natural/artificial dimension together can be used to identify the approximate position of each research method within a framework of research paradigms. This framework will be explored next.

6.6 Framework for Research Methods

In the previous section, the broad range of available research paradigms proposed by Meredith *et al.* (1989) was reviewed. In this section, the position of each research method in the research paradigm will be identified.

By combining the rational/existential and the natural/artificial dimensions, it is possible to create a matrix that identifies a meta-theory for research methods, as demonstrated in the following figure:



The above figure depicts the two dimensions mentioned in the previous section, with the methodologies available to researchers placed in their appropriate cell(s). With regard to this framework, Meredith *et al.* (1989) noted that some methodologies logically could fall into a number of cells, or relate to only one of the dimensions. Moreover, a number of

methodologies can fairly easily be used for any of the three stages of research—description, explanation, or testing—discussed in section 6.4 earlier.

Brief descriptions of each methodology appearing within the above framework will be reviewed next. These descriptions are also based mostly on those offered by Meredith *et al.* (1989).

Direct Observation

Field Studies

Field study researchers carefully select field sites to evaluate one or more factors. This approach is similar to the classic experimental design, where variables are controlled, rather than manipulated, through the careful selection of field sites. However, in some exploratory studies, field sites can be selected as a multiple sample of case studies without particularly controlling for any factor. Being used in this way, field study is expected to yield an early understanding of the phenomena under study as well as to confirm/refute the existing theory.

Field Experiments

Using this methodology, a researcher manipulates independent variables and controls intervening variables, so that the resulting dependent variables can be determined. This method is not widely used in operations because of the difficulty in controlling dependent variables in the operations of real-world organisations.

Action Research

In this method, the researcher attempts to influence the situation in a positive direction while collecting data and observing the dependent variables. Action researchers do not merely observe, but also work at making it happen (Gummesson, 2000). Coughlan and Coughlan (2002) portrayed action research as yielding both action and research, unlike traditional positivistic research, which aims at creating knowledge only. These authors noted that, although originating as early as the mid-1940s, action research has scarcely been used as operations research methodology, possibly due to the imprecise, uncertain, and unstable nature of its research activity.

Case Studies

This method is used to investigate a specific phenomenon through an in-depth, limited-scope study. The attractions of case studies are that phenomena can be studied in their natural settings by use of various data collection methods (e.g. interview, observation, and documentation), and that theories generated directly from data tend to have high validity with practitioners. While case studies can be used for different purposes, such as exploration, theory building, theory testing and theory extension/refinement (Voss *et al.*, 2002), it is particularly useful in the early phases of research, where there may be no prior hypotheses or previous work for guidance (Meredith *et al.*, 1989).

A case study can comprise of a single or multiple cases. However, researchers should be aware of a possible trade off effect, that is to say, while the inclusion of a greater number of cases in the study may increase its breadth, it inevitably reduces the depth of the study, given the limited set of research resources available to the researchers at a specific time.

People's Perceptions

Structured Interviewing

In structured interviewing, a fixed format is followed for the interview and the details of every answer are carefully noted as the interview proceeds. All questions are the same, so that a typically constrained answer may be compared across interviews, situations, organisations, and so forth. The main reason for the use of structured interview is to control the situation and responses from the interviewees, thereby facilitating uniformity in analysis.

Structured interview data can be systematically analysed through non-quantitative means or subject to intensive statistical analysis, to identify factors, clusters and other such relationships in a statistically significant way.

Surveying

Like structured interviewing, this method allows for statistical analysis. Survey questionnaire can be sent to a large number of people with little effort. Therefore, it can be seen as a more time-efficient research method compared with structured interviewing. Stratified samples can also be predetermined to assess factors of particular interest. For these reasons, the survey method is extremely popular among academics (Meredith *et al.*, 1989).

However, among its disadvantages are the possible poor response rate of surveys, the danger of answers being of little value, and the difficulty with which interesting responses can be followed up.

Historical/Archival Analysis

This approach examines historical documents or less formally recorded data to evaluate factors, make comparisons, note apparent contradictions, see similarities, make inferences, gain insight, and generally analyse a situation from a particular perspective. The coverage of the documents examined is frequently over a period of time. No manipulation of the variables is possible, and the only control the researcher can exercise is that of selecting for particular evidence or factors and then interpreting them.

Delphi

This technique is a type of expert panel in which explicitly defined methods are used to obtain and consolidate expert opinion. The participants need not be near the object reality, and even more importantly, they need not be near each other, nor even respond to the Delphi administrator at the same time.

Typically, only one issue is explored, and participants report a score on a measure of interest. They also give reasons for the scores reported and the score statistics, and those reasons are fed back to the participants for a second round. This process may be repeated with each member of the panel having a chance to re-evaluate their initial responses (Riley *et al.*, 2000), following which the panel results are documented. The Delphi approach has been used in operations primarily for predicting alternative futures, or regular forecasts.

Intensive Interviewing

Intensive interviewings are conducted using open-ended questions. As a researcher spots issues or points of interest, they can be followed up in greater detail. Even though this approach is particularly suitable for descriptive and exploratory phases of research, it can also be used for hypotheses testing. A major advantage of intensive interviewing is that the informants frame the issues of which the researcher may not even have been aware.

Expert Panels

In this approach, experts are selected to form a panel giving opinions, beliefs, or experiences with regard to a specific situation. Similarities and differences in the data obtained among experts are noted and statistical analyses of their responses may be conducted. This method is also typically most useful in the exploratory and concept development stages of research.

Futures Research/Scenarios

For this technique, different future scenarios are postulated. The results from each scenario can then be evaluated by means of a conceptual, pictorial, or abstract model. Future research/scenarios have gained popularity in some areas, such as forecasting and long-range planning, where different possible world scenarios are postulated, the effect of which is then evaluated.

Introspective Reflection

In this approach, the researcher reflects on her/his own experience to describe, explore and formulate concepts about, or evaluate, some situations of interest. That is, the researcher

analyses her or his own impressions rather than those of someone else. This most existential method allows the integration of both positivist and interpretivist approaches to attain a higher level of understanding.

Artificial reconstruction

Reason/Logical Deduction/Theorem Proving

This and the following two approaches are the most rational artificial methods. For these approaches, a model of object reality is constructed. These approaches all involve rigorous, logical analysis that can be followed and replicated by other researchers. This model can be composed of a set of reasoned or logical statements or logico-mathematical theorems or formula. This method is frequently used to construct models that are embodied in software for expert and decision support systems, and in mathematical models of operational systems.

Normative Analytical Modelling

This approach is conducted at a relatively macro level with simple, closed-form mathematical representations. The model is used to produce a prescriptive result, typically by iteratively applying the analytical equations until some desirable value, usually of one dependent variable, is achieved. Examples include linear programming and inventory modelling.

Descriptive Analytical Modelling

This method also is conducted at a macro level with relatively simple, closed-form mathematical representations. However, unlike normative modelling, this method is used simply to describe—by mathematical emulation—the actual workings of a real-world system counterpart. Examples of quantitative models used in operations include queuing theory, location analysis, inventory theory and so on.

Prototyping

This and the following three methods—physical modelling, laboratory experimentation, and mathematical simulation—employ the logical positivist/empiricist tradition rather than the axiomatic approach. Prototyping involves the construction of a working model of a system. This model serves as a pilot or exemplar that includes the majority of, or a selected subset of, the attributes of the system. Prototyping is commonly used in operations to evaluate the feasibility, benefits, limitations, and other aspects of potential new systems to be used in an organisation.

Physical Modelling

With physical modelling, the model is a physical representation of the real setting like those made by industrial engineers when evaluating a new layout for a plant. This is a common approach for office remodelling, warehouse evaluation, and refinery checkout. A two- or three-dimensional model of the proposed system is built to determine or evaluate relationships, interferences, sizes and other such characteristics of the proposed system.

Laboratory Experimentation

In this approach, the intervening variables are controlled, while the independent variables are manipulated systematically to determine their effects on the dependent variables. This approach is normally adopted in physical sciences, and has also been used extensively in the social sciences. However, with realistic operations problems, it is difficult to conduct experiments, especially if they involve larger systems such as organisation as a whole. The Hawthorne experiments are a good example of this approach.

Mathematical Simulation

This method includes both a conceptual model of what is happening through equations, plus an element of reality through the values set for the parameters in the equations. On occasion, parameter values are hypothesised and evaluated in the model rather than being derived from real world data, which reduces the fit of the model to the actual phenomenon and increases the risk of irrelevance (reduces external validity).

Conceptual Modelling

The last two methods fall in the interpretive cell and are more existential than rational. With conceptual modelling, a mental model of the suspected relationships is posited, which may then be evaluated by means of a framework that captures the essence of the system under investigation. A PERT/CPM diagram is a typical conceptual model that can be tested and evaluated for research purposes. Similarly, Gantt charts, system models with feedback loops, fishbone cause-effect diagrams, and even taxonomies and categorisations are all conceptual models.

Hermeneutics

Hermeneutics is directly concerned with the interpretation of what is being observed. It is used in reference to the interpreting of either reconstructions of object reality, such as texts or films, or the object reality directly, such as an organisation in action. The observer's framework and methodology are important to the description of the object of study because the observer is interpreting and documenting it.

6.7 The Nature of this Research

This section applies Meredith *et al.*'s (1989) research paradigms framework to the object of this study—the alignment between performance measurement and strategy. In so doing, this section answers the two fundamental questions that help to identify the paradigm of this research.

1) How can knowledge be created: rationally or existentially?

Given that the knowledge on the object of study for this research is rather underdeveloped, this research is based upon fewer *a priori* assumptions.

Moreover, since there exist limited theories or laws regarding the object of the study, it is of less concern that the obtained knowledge be in accord with the existing theories or laws. Rather, the concern is more about the way in which the findings correspond to the real world. Therefore, this research fits less comfortably with the axiomatic perspective of the

rational approach, and more with the logical positivist/empiricist and the interpretive perspective in the rational/existential continuum.

The appropriate approach tends to be the one that is more inductive, less formally structured, subjective, more creative with less methodological prescription, highly interactive with the environment, *a posteriori*, and in accord with the real world.

For this reason, this research has a position closer to the existential extreme of the rational/existential continuum.

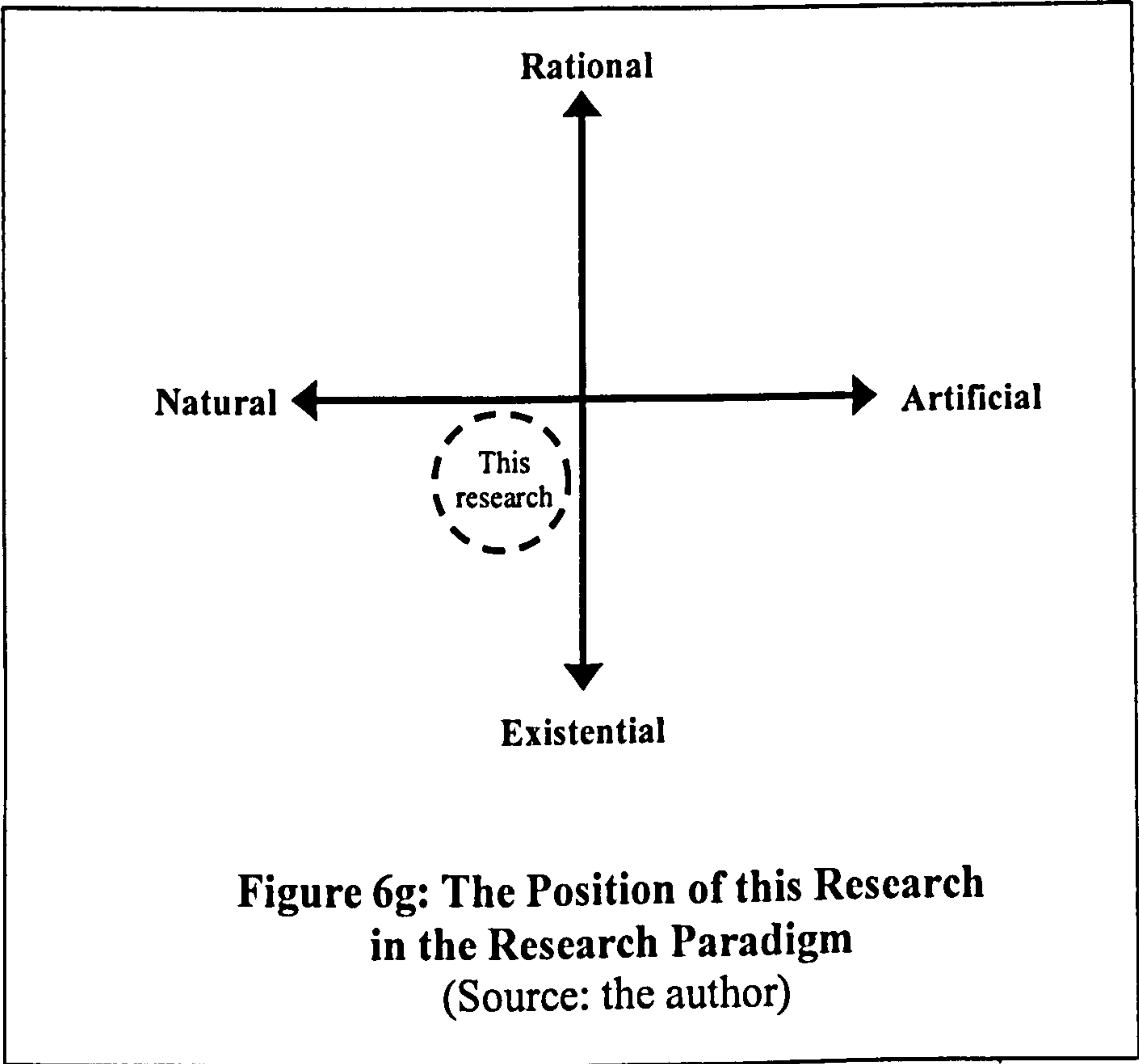
2) Source and kind of information: natural or artificial?

The object of this study—the alignment—is not ‘*something*’ detectable by human senses. Rather the ‘*alignment*’ is an abstract representation of the reality of the individual exposed to the phenomenon. Therefore, the relevant data is not likely to come from the direct observation of the alignment *per se*, as proposed in the extreme natural perspective. It is thus, more appropriate to study the phenomenon ‘*through somebody else’s eyes*’.

Moreover, the alignment between performance measurement and strategy is a construct that is difficult through the researcher’s direct observation. In this case, an assessment of people’s perceptions is considered to be possibly the only efficient and effective way to obtain information about the phenomenon (Meredith *et al.*, 1989).

For this reason, it is assumed that the most appropriate view of object reality for this research is that of the people who are directly involved within the organisational contexts. As a result, these people will be the primary source of information for this study.

Figure 6g shows how this research fits into the social sciences research paradigm, discussed earlier in section 6.5.



This research, therefore, adopted an interpretive perspective aiming to understand how people in real-life organisational contexts construe, conceptualise and understand the object of the study. This research then used mainly the people’s view of reality as its data source.

6.8 Summary

This chapter aimed to review social science philosophy and research methodologies in order to justify the philosophical stance and methods of this research.

In conducting social research, investigators—knowingly or not—hold at least four sets of philosophical assumptions, including ontological (nominalist or realist), epistemological (anti-positivist or positivist), assumptions about human nature (voluntarist or determinist), and methodological (ideographic or nomothetic).

It was argued that social research can be conducted via either a deductive or an inductive approach. While the former begins with theory before empirical testing, the latter starts with the observations of empirical evidence, then generalises to theory. Typically, all research investigations involve a continuous, repetitive cycle of description, explanation, and testing.

Research paradigms consisting of the rational/existential and the natural/artificial dimensions can be used as a framework for identifying the approximate position of each research method. By using this framework, the position of this research in the research paradigms was then identified. In the next chapter, research methods for this study will be explained and justified accordingly in detail.

CHAPTER 7

Research Methods

7.1 Introduction

The previous chapter reviewed philosophical perspectives of social science research as well as available research methods. The position of this research in the research paradigms was identified. It was explained that this research would employ the interpretive perspective, using mainly people's views of reality as the data source.

In this chapter, the research methods for the present study will be explored. The main purpose of the chapter is to integrate the backgrounds and philosophical perspectives reviewed earlier in the previous chapter, thereby providing a coherent justification for the chosen methods. In so doing, this chapter will explore five main aspects of the methods employed in this research:

- Research strategy
- Research design
- Data collection
- Data processing and analysis
- Quality assurance for case study research

7.2 Research Strategy

A '*research strategy*' can be defined as a way of investigating an empirical topic by following a set of pre-specified procedures (Yin, 2003). It was these procedures, according to Descartes and Locke, that provided the key to the success of scientific knowledge. If applied with appropriate scruples and commitment, it was claimed, the production of knowledge of the world would be guaranteed (Hughes and Sharrock, 1997).

The term '*research strategy*' has been adopted in this research mainly to emphasise that, even though research methods may well be treated as simple instruments, in fact, they operate within sets of assumptions. The previous chapter has already reviewed the philosophical assumptions underpinning each particular research method for social sciences.

However, each research strategy utilises different ways of collecting and analysing empirical evidence, following its own logic. To exploit the research strategy to the full, the researcher should be aware of both the advantages and disadvantages of different strategies before making a choice. The goal is to avoid gross misfits—that is using one type of strategy when another is really more advantageous (Yin, 1994).

In his seminal book on case study research methodology entitled '*Case Study Research: Design and Methods*', Yin (1994) identified five major research strategies, including (1) experiment, (2) survey, (3) archival analysis, (4) history, and (5) case study. The author highlighted a common misconception, namely, that the various research strategies may be

viewed hierarchically—that is, case studies are appropriate for the exploratory phase of an investigation, surveys and histories are appropriate for the descriptive phase, and experiments are the only way of conducting explanatory inquiries.

Yin not only regarded this hierarchical view as incorrect, but also suggested that a more appropriate view of these different strategies was a pluralistic one. Each strategy can be used for all three purposes—exploration, description or explanation. Therefore, what distinguishes research strategies are not the hierarchical purposes of the research, but three other conditions, namely, (1) the nature of the research questions, (2) the requirement for control over behavioural events, and (3) the focus on contemporary events.

Table 7a below displays these conditions and the way each condition relates to five major research strategies in social science.

Strategy	Form of Research Questions	Requires Control Over Behavioural Events?	Focuses on Contemporary Events?
Experiment	how, why	Yes	Yes
Survey	who, what, where, how many, how much	No	Yes
Archival analysis	who, what, where, how many, how much	No	Yes/No
History	how, why	No	No
Case study	how, why	No	Yes

Table 7a: Relevant Situations for Different Research Strategies
(Source: Yin, 1994: 6)

Based on Yin’s (1994) argument, the rationale for adopting case study as the research strategy for this research will be discussed next.

7.2.1 Case Study as the Research Strategy

It is important to note that research strategies are not always mutually exclusive. More than one strategy can be used in any given study (e.g. a survey within a case study). However, it is possible to identify some situations in which a specific strategy has a distinct advantage.

Yin (1994) maintained that a case study strategy is preferable when:

A 'how' or 'why' question is being asked about a contemporary set of events over which the investigators have little or no control

In considering the relevant situations for different research strategies exhibited in table 7a, case study seemed to be the preferable research strategy, due to the three following characteristics of the present study:

The nature of the research questions

The 'how' question posited in this research (i.e. *how, in central government agencies, is the alignment between performance measurement and strategy managed?*) would be likely to lead to the use of experiments, histories and case studies as the preferred research strategies.

However, when considering the topic of this research, case research strategy seemed to be more appropriate because performance measurement and strategy have a dynamic and

complex interplay within organisations. In addition, the wider taxonomy of performance measurement serves to increase this complexity (McAdam and Bailie, 2002).

The requirement for control over behavioural events

Since this research did not intend to control actual behavioural events, experiment was not selected as a strategy. As a result, only two plausible choices of research strategy were left, i.e. either histories or case studies.

The focus on contemporary events

Since the interest of this research lay in contemporary events, the use of histories was not favoured.

On the basis of Yin's (1994) criteria for research strategy selection, case study appeared to be the most suitable strategy for this particular piece of research.

It would appear that there are a number of researchers who also advocate the selection of case study on the basis of the above criteria. For example, Robson (1993) noted that whatever the researcher's epistemology, a case study is an appropriate strategy for answering research questions which ask how or why, and which do not require control over the events. In addition, Benbasat (1984) stated that the goals of the researcher and the nature of the research topic influence the selection of a research strategy. It has been claimed that case research is appropriate for certain types of problems, particularly those in which research and theory are in their early, formative stages (Roethlisberger, 1977), and

the sticky, practice-based problems where the experiences of the actors are important and the context of action is critical (Bonoma, 1983).

Despite the existence of much literature reinforcing the notion of performance measurement-strategy alignment, the approach appears to have arisen largely from normative and intuitive arguments, rather than from empirical evidence. For this reason, the field case studies have been necessary to add empirically evidenced knowledge to the body of knowledge pertaining to performance measurement studies.

The idea that one advantage of using the case study method is the likelihood of the resultant theory being empirically valid is also supported by Eisenhardt (1989). The author noted that the likelihood of a valid theory is high because the studying process is so tightly bound with evidence that it is very likely that the resultant theory will be consistent with empirical observation.

Moreover, case research enriches not only theory, but also the researchers themselves (Voss *et al.*, 2002). By conducting research in the field, case researchers are exposed to real problems, the creative insights of people at all levels of organisation, and the varied contexts of cases. The individual researcher will personally benefit from the experience of conducting case research. In view of the fact that this doctoral research is the start of the author's professional and research career in the public sector, exposure to the research contexts was considered to be beneficial. It would be of particular benefit if a multiple-case study strategy were adopted because this type of approach increases the chances of exposure to wider public organisations.

However, it should be noted that case study is not a perfect research strategy in itself and, as with any other research strategy, it has both advantages and disadvantages (see, for example, Benbasat *et al.*, 1987). At the same time, by virtue of the fact that each research strategy has advantages in some areas and disadvantages in others, it is clear that no single strategy will be comprehensively more appropriate than others for all research purposes. This is also true of case study strategy, against which there have been arguments. In operations management studies, for instance, McCutcheon and Meredith (1993) noted that the negative view of the case study method is not unique.

In addition to the apparent appropriateness of the case study strategy for this research, multiple case studies were regarded as useful, in light of the underdeveloped nature of existing knowledge on the subject, with few guiding assumptions and theories. For this reason, the characteristics of multiple-case study research will be reviewed next.

7.2.2 Multiple-case study research

Case study can provide an in-depth insight into the phenomenon studied. By using multiple cases in particular, the evidence is considered more compelling, and the overall study is, therefore, regarded as being more robust (see, for example, Eisenhardt, 1989). According to these authors, there seems to be a wide acceptance that a case study comprising of multiple cases can help researchers fully understand the phenomenon under investigation in a real setting, which can lead to high validity with practitioners—the ultimate users of research.

Eisenhardt (1991), for example, suggested that, in theory-building research especially, the theoretical impact from case research comes from rigorous method and multiple-case comparative logic. Therefore, a theory built from multiple-case research tends to be enriched. Multiple cases are a powerful means of creating theory because they permit replication and extension among individual cases. The replication allows individual cases to be used for independent corroboration of specific propositions. The extension allows the use of multiple cases to develop more elaborate theory, because different cases often emphasise complementary aspects of a phenomenon. Therefore, by piecing together the individual patterns, the researcher can draw a more complete theoretical picture.

Even though a number of authors appear to have realised the benefits of the multiple-case study method, others—if not as many— have regarded it as a drawback. For example, Wolcott (1994) argued that in practice, the study of multiple cases reduces the attention the researcher is able to direct at any one of them, and serves to weaken rather than strengthen the case study. Moreover, in theoretical terms, Dyer and Wilkins (1991) critiqued the merit of incorporating multiple cases into case study, by noting that many seminal classic case studies tend to rest on single cases, and that single-case research produces more and better theories than multiple-case research.

However, the single-case study approach also falls under criticism, for example, for its generalisability of the conclusions, models or theory (e.g. Eisenhardt, 1991). Other potential problems of such an approach include the risks of misjudging a single event, and of exaggerating easily available data (Leonard-Barton, 1990). Although problems can arise in either single- or multiple-case research, they tend to be lessened when events and data

are compared across cases. Miles and Huberman (1994), for example, generalised that the more cases in a study and the greater the variation across cases, the more compelling an interpretation can be. Thus, using multiple cases in a case study is a means of strengthening or broadening the analytic generalisations of the research.

Again, considering the underdeveloped nature of the knowledge pertaining to alignment between performance measurement and strategy, the use of a multiple-case study appeared to be appropriate, and was, therefore, adopted.

In the next section, the research design of this multiple-case study will be explained and justified.

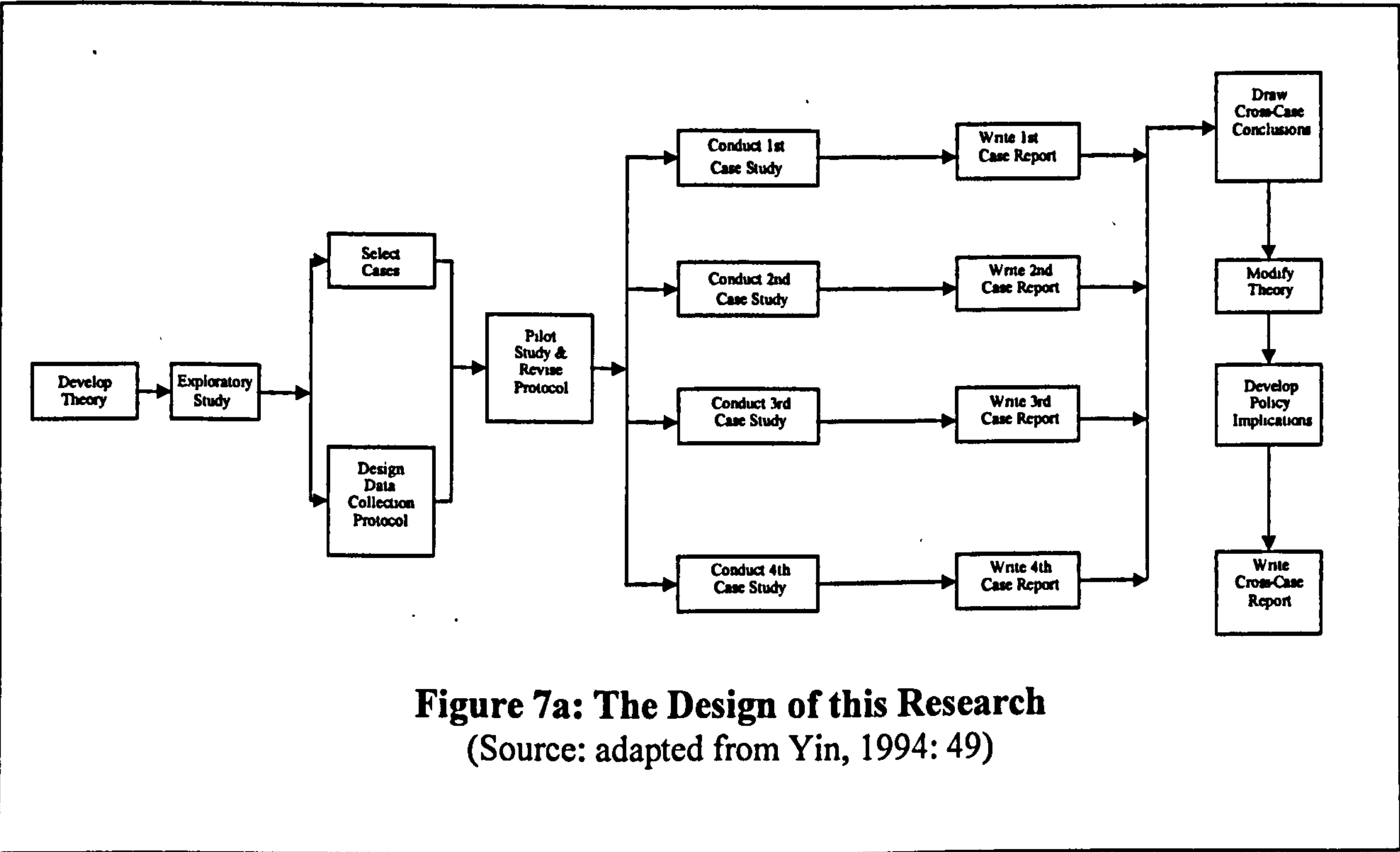
7.3 Research Design

The previous section discussed the underlying rationale for applying multiple-case study as the research strategy for this study. In this section, the research design of this case study will be described.

Yin (1994) maintained that research design can be viewed as a '*blue print*' of the research providing an action plan for moving from an initial set of research questions to a set of conclusions. Major steps such as the collection and analysis of relevant data may also be found within such a plan (Yin, 1991). It has been well documented that the main purpose of the design is to ensure that the evidence to be collected is pertinent to the research

questions, and that the analytic strategies cover the critical rival hypotheses or competing concerns of a case study (Yin, 1993).

This research comprised of three phases, including an exploratory study, a pilot case study, and a multiple-case study. Figure 7a summarises the research design of this study.



The details of each phase of the research will be discussed in section 7.3.2, after a review of the roles of theory in interpretive case study research in the next section.

7.3.1 Roles of theory in interpretive case study research

Winegardner (2000) noted that typically, the development of an interpretive case study begins with the establishment of a theoretical framework, the set of questions to be

answered by the research. The way questions are asked and how the answers are sought are influenced by the epistemological orientation of the researcher. This is, in part, a reflection of the researcher's personal background, professional discipline, and review of the existing literature. As a result of the researcher's established focus, the framework will address the problem to be investigated by the study, what is known about the topic, what is not known, why it is important to know it, and the specific purpose of the study.

It seems confusing, on some occasions, to regard interpretive case study research as beginning without underpinning theories. This is due, at least partly, to the inductive nature of interpretive research, which leads to constructs, hypotheses, and ultimately, the theory (Merriam, 1998). However, like all scientific research, for which theory provides its foundation (Flynn *et al.*, 1990), theory is present in all interpretive studies because no study could be designed without a number of questions being asked, either explicitly or implicitly. The development of the problem statement and the phrasing of research questions reflect a theoretical foundation.

Even in a theory building (as opposed to theory verification) study, *a priori* theory or constructs provide the foundation of an interpretive exercise designed to produce a theory for later testing (Glaser and Strauss, 1967). Without a conscious attempt at theory building, research can degenerate into simply '*data gathering*' or the ad hoc collection and analysis of data for whatever conclusions can be found.

Generally speaking, the origin of a theory-building study is not a hypothesis, but rather, a number of assumptions, frameworks, a perceived problem or perhaps, very tentative

hypotheses (Flynn *et al.*, 1990). In other words, case studies that generate theory grounded in the data of the study itself are not conducted in a theoretical vacuum. Rather, as Schwandt (1993) noted, they contain *a complex process of induction and deduction, guided by prior theoretical commitments and conceptual schemes*. Insights that form the basis of the resultant theory can come from existing theory, personal experience, and the experience of others (Merriam, 1998).

Therefore, even though this study did not aim to prove or disprove any particular hypotheses, it was not conducted in a theoretical vacuum. Rather, this study was guided by prior theoretical commitments and conceptual schemes derived from the existing literature.

One of the principal reasons that this study did not aim at approval or disapproval of particular hypotheses was the lack of supportive evidence underpinning those theoretical commitments and conceptual schemes. As with some other fields of study, such as operations management, which some may perceive as being rather atheoretical (Flynn *et al.*, 1990), theories on performance measurement are perhaps too often implicit or difficult to articulate. Much of the research into the alignment between performance measurement and strategy has been derived largely from intuitive thought and is, thus, prone to be more descriptive and normative. Consequently, supportive evidence that underpins performance measurement theories has been too flimsy to form hypotheses to be proved or disproved.

7.3.2 Three phases of this multiple-case study research

This research comprised of three phases, including an exploratory study, a pilot study, and a multiple-case study, with the last phase being the principal. In this section, each phase will be explained in turn.

Phase 1: an exploratory study

The main purpose of conducting an exploratory study was to ensure that the issue of the alignment between performance measurement and strategy was not only a gap in the body of knowledge, but also of practical interest for practitioners in public sector management.

The exploratory study was undertaken with UK District Auditors. The methodology for this phase of the study was a semi-structured interview of two managers from the UK District Audit—an arm's length aspect of the national-level Audit Commission.

The results from the study confirmed that the alignment between performance measurement and strategy was important and an issue of interest for public sector practitioners. Moreover, despite its importance, little was known about the issue. The results from the exploratory study also determined the design of a data-collection protocol for the next phases of the research.

Phase 2: a pilot study

A pilot study is a small-scale trial before the main investigation (Wilson, 1996).

The essence of a pilot study for this particular research lies in the intention to assess the

adequacy of the research design and of the instruments to be used for data-collection. The pilot study can also facilitate further understanding of the issue in the real organisational setting.

There were two major purposes in conducting this phase of study. First, to take one further step in testing the concepts and research question, having been verified within the UK context from the previous phase of study, in real organisational settings. Second, to test data collection protocol, in order to obtain the results that might lead to the revision of the protocol before conducting the main study in the third phase. Therefore, the pilot study was intended to assist in the development of a relevant line of questioning—possibly providing some conceptual clarification for the research design as well.

In addition, since the chosen research context for this study is the Thai public administration, it was sensible to gain greater understanding of the topic of this research in the Thai public sector context before conducting the main phase of this study (the rationale for research context selection and the selected cases will be explained later in sections 7.4.1 and 7.4.2).

The pilot study also helped the researcher to establish a connection with the officials, especially those of high rank, in a Thai government organisation, which might facilitate the study in the later phase. Additionally, since the researcher's lack of research interviewing experience was a concern, conducting the pilot study provided a good opportunity for him to master interviewing skills prior to moving on to conducting the main phase of the study.

By paralleling the pilot study with an ongoing review of relevant literature, the final research design was improved both by former theories and by a fresh set of empirical evidence. The dual sources of information helped to ensure that the ongoing study reflected significant theoretical issues as well as questions relevant to the contemporary case (Yin, 1994). In so doing, the research framework and research protocol were improved, in order to match better the phenomenon being studied. According to Stroh (2000), this is the creativity of the qualitative research process—which implies contingent methods to capture the richness of context-dependant sites and situations.

Phase 3: a multiple-case study

After the testing of concepts, research question, and data-collection protocol in the earlier phases, these aspects of the research were subsequently refined, increasing the likelihood of their being valid and reliable enough to be used in the main phase of the study.

In view of the fact that a multiple-case study method was chosen, an initial issue of concern in this phase was the number of cases to be included in the study.

Since virtually all research often encounters the limitation of research resources (e.g. financial support, research staff, and time constraints) in one way or another, researchers are usually forced to make a decision about how many cases to include in a multiple-case study. Although concentrating the available resources on a study of only a few cases would enhance the depth or richness of the data collected, this would inevitably be a trade-off against the benefits of comparative insights or the breadth of data collected that could be generated from the studying of more cases (Dyer and Wilkins, 1991). For this reason, in

research design, a trade-off between the depth and the breadth of data must be an issue of consideration (Voss *et al.*, 2002).

The decision as to the number of cases to be studied in this research was based both on practical and theoretical considerations, and will be discussed in section 7.4.2.

7.4 Data-collection

Once the research strategy has been selected and the research has been designed, the next step is to design an approach to data-collection. This section will discuss five issues relevant to data-collection, including (1) research context selection criteria, (2) case selection criteria and selected cases, (3) pilot case selection, (4) data-collection methods and instruments, and (5) data sources.

7.4.1 Research context selection criteria

This research involved a multiple-case study into the alignment between performance measurement and strategy in the public sector context, especially in Thailand's central government agencies.

On the one hand, the reasons for selecting the central government agencies included the following:

- The results from the literature reviews revealed that there existed no research into the topic within the central government context. The focuses of the existing public sector performance measurement literature have been mostly on public service providers and/or local governments, thus leaving the topic within the central government context uncharted. In view of this, the present study aimed to counterbalance the overemphasis of performance measurement research on public service providers and/or local governments with a study in the central government context.
- An important organisational aspect expected to influence the alignment between performance measurement and strategy in public organisations is the organisations' political dependency. Therefore, in this study, it was sensible to select the organisations whose political dependency was more apparent. Central government agencies reporting directly to the government thus seemed to meet this criterion.
- The performance of central government agencies seems to have wider consequences to the society in general than those of a particular public service provider or a local government. It was, therefore, considered interesting to study the phenomenon within this context.
- Central agencies are often self-contained and situated in one location. It is, therefore, easier to gain insights into the phenomenon studied from an organisational holistic view of these agencies than to study the phenomenon in the public organisations that have several branches and are situated in several locations.

On the other hand, the reasons for selecting the Thai public sector included:

- The absence of research into the topic (if any) conducted in the context outside the OECD countries, especially in developing countries. By studying this subject in the Thai public sector context, a supplementary perspective from the public sector in a developing country could be expected.
- The Thai public sector has become more active in strategic management and performance measurement in recent years. This has been due partly to the country's recent Public Administration Reform. Results from this research might yield immediate practical implications to Thai public sector management.
- It was also the researcher's personal interest, not only as a Thai citizen, but also as a Thai public servant, to research into the subject within the Thai public sector context
- It was the expectation of the Royal Thai Government—the sole sponsor for the researcher's doctoral study—that this particular research should have some practical usefulness. Therefore, conducting research in the Thai public sector context was more likely to meet such expectation.
- Due to the subjective nature of this research, familiarity with language and customs within the research context was essential. As a native Thai speaker with a life-long familiarity with Thai customs, the researcher was likely to be able to conduct the research effectively within the Thai public sector context.

- The final reason for selecting Thai public organisations was one of a more pragmatic nature. Since the researcher is a Thai civil servant, having established connections with officials in Thai public sector, these connections were likely to facilitate the negotiations for the access to the case-sites and for obtaining relevant data/information.

7.4.2 Case selection criteria and selected cases

The selected cases were four Thai central government agencies, including:

- The Office of the Civil Service Commission (OCSC)
- The Office of the Auditor General (OAG)
- The Bureau of the Budget (BB)
- The Office of the National Counter Corruption Commission (ONCCC)

The remainder of this section will discuss case selection criteria as well as the reasons for the choice of these four organisations.

In selecting cases, even though they may be chosen randomly, such selection is neither necessary, nor even preferable (Eisenhardt, 1989). That is to say, even though the domain/context of the cases to be studied is identified, it is not appropriate simply to select any cases available within the chosen domain.

Yin (1994) noted the distinction between sampling logic and replication logic of case selection. The author explained that sampling logic demands an operational enumeration of the entire universe or pool of potential respondents, and a statistical procedure for selecting the specific subset of respondents. Sampling logic is applicable in determining the prevalence or frequency of a particular phenomenon when it is impractical to study the entire universe. The resulting data are assumed to reflect the entire universe. However, the author highlighted that the application of sampling logic to multiple-case studies would be misplaced.

Instead, in viewing cases in a multiple-case study, replication logic should be applied. Each case must be carefully selected so that it either (1) predicts similar results (a literal replication), or (2) produces contrary results but for predictable reasons (a theoretical replication). If all the cases turned out as predicted, it would provide compelling support for the initial set of propositions. If the cases were contradictory, the propositions would have to be revised and retested with another set of cases.

Yin (1994) also stressed that an important step in replication logic is the development of a rich, theoretical framework. The framework needs to state the conditions in which a particular phenomenon is likely to happen (a literal replication) as well as the conditions in which it is not likely to be found (a theoretical replication). The theoretical framework later will become helpful in generalising to new cases. Furthermore, if some of the empirical cases do not work as predicted, the theory must be modified.

In addition to replication logic, the cases were also chosen to fill theoretical categories and provide examples of polar types (Eisenhardt, 1989). Given the limited number of cases which can usually be studied, it makes sense to choose cases such as extreme situations and polar types in which the process of interest is *transparently observable* (Pettigrew, 1988). The goal is to select cases which are likely to replicate or extend the emergent theory. Multiple cases within each category allow findings to be replicated within categories.

Since strategies for public organisations are often made through cooperation between elected politicians—acting as public policymakers—and the organisations' executives, it is to be expected that when political changes occur, these strategies are likely to change as well. This is because different politicians, as the policymakers, may have considerable differences in their public policy and their concern over society, especially their constituencies. Politicians who have legitimate power by virtue of their having been elected by the public will utilise such power by guiding public organisations under their supervision to work towards fulfilling their policies, which often are different from the policies of the politicians who were formerly in power.

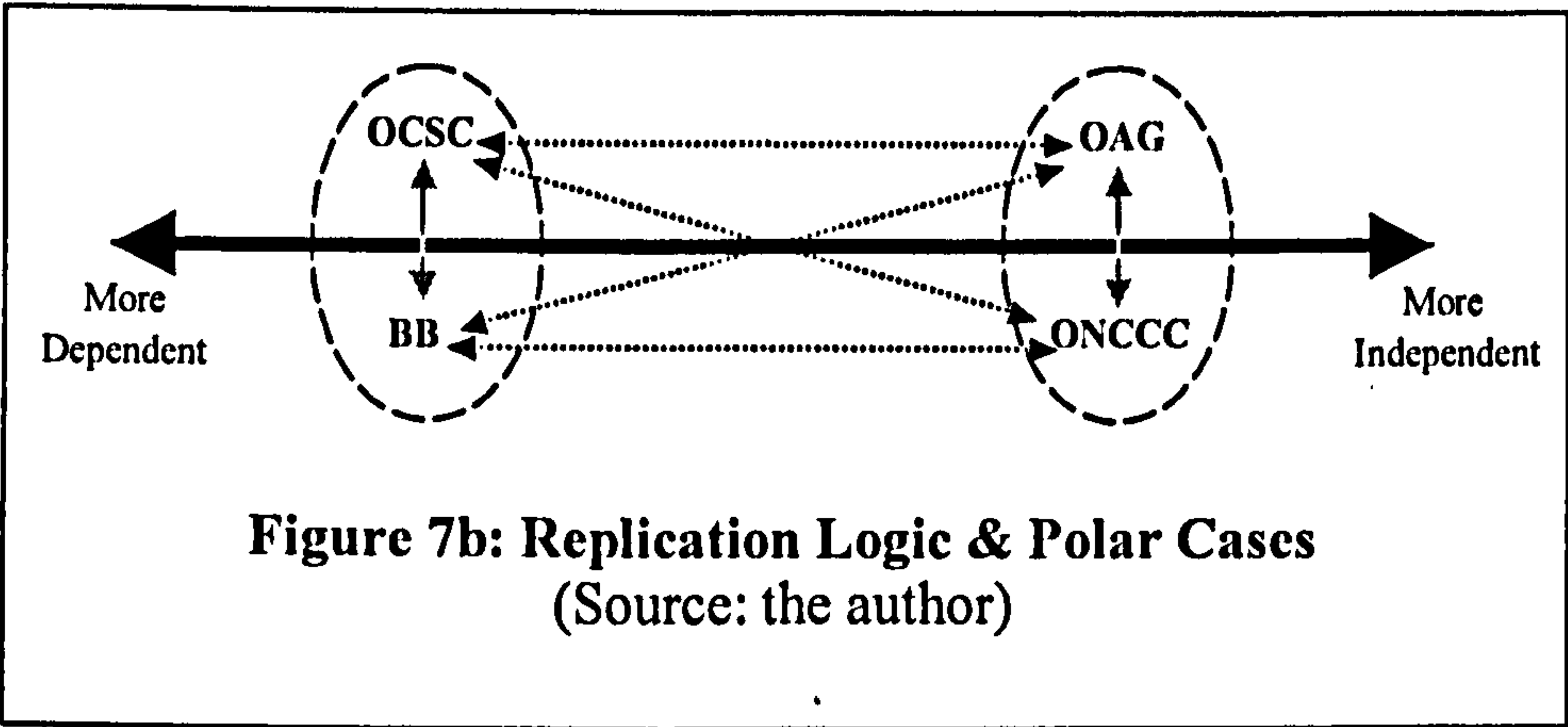
However, the degree of political subjectivities varies among public organisations. Generally, public organisations directly overseen by the government are likely to be subject more to political changes than other public organisations (e.g. independent public agencies). The former group of organisations are thus more likely to experience more frequent strategic organisation changes, due to the changes in policy imposed by the government.

Therefore, it is possible to classify public sector organisations into two distinct categories in terms of their political dependency, which can affect organisational strategic changes. The first category is those organisations under close supervision of the government, and the second is the independent agencies beyond the control of the government. Categorising public organisations in this way, the dependency of the public organisations was used in this research as a proxy reflecting the degree of strategic volatility of those organisations possibly caused by political influences.

Since performance measurement systems are, at least, established to provide information about the success with which the organisation performs according to policy/strategy, changes in strategy will inevitably affect the systems in one way or another. Therefore, in the present study, by selecting cases in this fashion, it was possible to investigate the alignment between performance measurement and strategy both in greater and lesser strategically volatile public organisations. The two groups of organisations were:

- Dependent public organisations more subject to political changes, presumably leading to greater volatility in their policy/strategy. For this category, the OCSC and the BB were selected.
- Independent public organisations less subject to political changes, presumably leading to less volatility in their policy/strategy. For this group, the ONCCC and the OAG were selected.

Figure 7b below shows how the chosen four organisations represent replication logic as well as polar-typed logic.



Polar-typed case selection

On the one hand, OCSC and BB, on the far-left of the boldface arrow, represent the organisations under more control by the government, which could, therefore, be considered comparatively more politically dependent. These two organisations were ‘*polar*’ or ‘*extreme*’ cases in the sense that both were not only under governmental control, but also reporting directly to the Prime Minister.

On the other hand, OAG and ONCCC, on the far-right, represent the more politically independent organisations subject—at least theoretically—to less control from the government. They could be regarded, therefore, as comparatively more independent. These latter two organisations were ‘*extreme*’ cases in that they appeared to have more autonomy (i.e. not under direct governmental control). Moreover, they were specifically classified as ‘*independent*’ organisations by the present Constitution of the Kingdom of Thailand.

These two groups of organisations, therefore, represented organisations at the two different poles, as suggested by Eisenhardt (1989) and Pettigrew (1988).

Replication logic

Following Yin's (1994) suggestion, each case was also selected so that it either (1) predicted similar results (a literal replication) or (2) produced contrary results but for predictable reasons (a theoretical replication). From figure 7b above, on the one hand, a literal replication can be expected from two pairs of cases (classified by political dependency within the same category), and represented by grey arrows: OCSC vs. BB, and OAG vs. ONCCC. On the other hand, theoretical replication can be expected from four pairs of cases (classified in different category), and represented by dotted arrows: OCSC vs. OAG, OCSC vs. ONCCC, BB vs. OAG, and BB vs. ONCCC.

It is also worth noting that although the inclusion of more cases in a multiple-case study may help in solidifying the confidence of the findings either to other settings (as in replication logic) or only within this setting (as in polar-typed logic), the case study's intensiveness leads to inefficiencies when the study is expanded to the point at which further observations provide minimal incremental insight. This point is known as '*theoretical saturation*', using Glaser and Strauss' (1967) terminology. As both polar-typed logic and replication logic were adopted as the case selection criteria, the number of cases to be included in order to sufficiently meet these criteria had to be at least four.

Additionally, the boundedness of the case was also a concern for case selection. The boundedness of the chosen case determined whether the case was a case.

Miles and Huberman (1994) referred to the case as *a phenomenon of some sort occurring in a bounded context*, while Smith (1978) used the term '*bounded system*' instead.

Winegardner (2000) suggested a technique for assessing the boundedness of the case by asking if there is a limit to the number of people who could be interviewed, or to the observations which could be made. If there is no actual or theoretical limit, the phenomenon is not bounded enough to be a case. In other words, if the phenomenon is not intrinsically bounded, it is not a case. Therefore, by applying this technique to the selection of cases in the research, it became more likely that those selected four organisations would be all bounded enough to be cases for the study.

Figure 7c demonstrates a summary view of the locations of each selected case among other Thai public agencies. Each case selected is shown in bold and underlined.

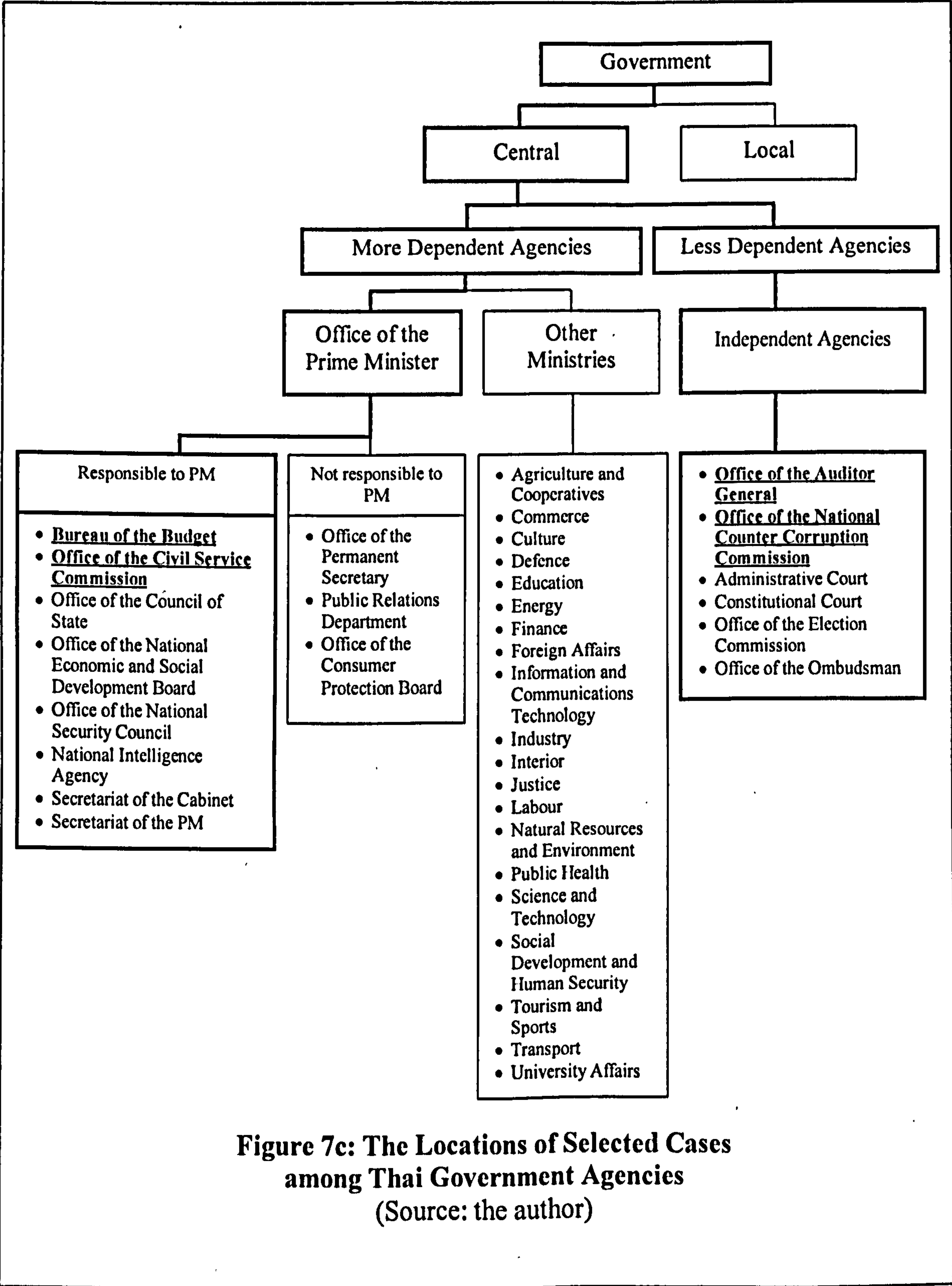


Figure 7c: The Locations of Selected Cases among Thai Government Agencies
(Source: the author)

7.4.3 Pilot case selection

The OCSC was selected as the case for the pilot study phase for four following reasons

- The OCSC is considered a central and exemplary Thai government agency, whose duties concern development and improvement of the public sector (Office of the Civil Service Commission, 2000a). For this reason, it was more likely that it would be interested in participating in this research, which might yield immediate managerial usefulness to the organisation. Therefore, the agency's cooperation and accessibility to the case site were more likely.
- As the OCSC is the sole scholarship grantor for the researcher's doctoral study, it has an obligation to facilitate the researcher's studying, especially in granting access for the purposes of conducting the study within the organisation.
- From previous networking with the OCSC officials, the researcher had established good personal relationships with some of the key officials who would be able to provide access to the data sources.
- Due to the fact that the OCSC is located in the central Bangkok metropolitan area, it was close and convenient for the researcher to commute to during the data-collection period, which he undertook alone.

7.4.4 Data-collection methods and instruments

One of the major concerns in deciding what data-collection methods to be used was the realisation that there is no single flawless method; all possible methods used in collecting data have both advantages and disadvantages (Gummesson, 2000). Different methods have different inherent strengths and weaknesses.

Using a single particular method was tempting, for the more uniform data that it would produce would possibly be more convenient to analyse. However, by using only a single method, it was more likely that the obtained data would be subject to the inherent weakness of such a method. This was an important point of concern because the low degree of acceptance of the case study research method in some research areas (e.g. operations management) has perhaps been the result of traditional misapplications of the term '*case study*', commonly based solely on interviews of key figures or managers (McCutcheon and Meredith, 1993).

In order to minimise the undesirable consequences caused by the use of any single particular method, this research adopted a combination of methodologies—an approach known as '*triangulation*'.

Triangulation can be defined as *the combination of methodologies in the study of the same phenomenon* (Denzin, 1978). Fundamentally, triangulation is the simultaneous use of multiple research methods, particularly the use of multiple sources of evidence (Jick, 1979;

and Voss *et al.*, 2002), to study the same phenomenon. The single most important objective of triangulation is an increase in the robustness and confidence of the study results.

By using various data-collection methods, the effects of the inherent weaknesses of each method used are diluted (Cook and Campbell, 1979; and Jick, 1979), because different data-collection methods result in data with different characteristics. Therefore, the use of various methods tends to diminish the risk of the prejudice caused by any single method. For example, Jick (1979) noted that, by providing several sources of verification, triangulation improves the researcher's judgemental accuracy. Therefore, this multi-faceted approach to data-collection may help in gaining a more complete picture of the phenomenon being studied (Stuart *et al.*, 2002).

However, there exist opponents to the use of the triangulation concept in case study research. For example, Blaikie (2000) listed three reasons why researchers might consider abandoning the use of triangulation. Firstly, numerous researchers pay lip service to its virtue. Few of them take it seriously as a validity check (mainly because convergence is rare). Secondly, triangulation can have various meanings for various users, due to the lack of clear operational definition. Finally, triangulation encourages a naïve view of ontology and epistemology in that it arbitrarily assumes similar ontological and epistemological assumptions among the different methods used in triangulation. However, the author did not suggest that combining methods is always inappropriate.

Despite the criticisms of triangulation, the use of multiple methods appears to be advantageous for this study. Considering one of the major strengths of case study is the

ability to use many different sources of evidence (Yin, 1994), the use of various data-collection methods is one way of fully exploiting the case study strategy. For this reason, triangulation has been adopted as an underlying principle for data-collection in this study. The multiple data-collection methods used were interviews (semi-structured and conversational), non-participant observations, and documentation, each of which will be reviewed in turn.

Interview

From the interpretive vantage point, management and organisation studies should involve the studies of processes through which subjective experiences of organisation are created (Locke, 2001). A study as such is best achieved through methods that take the researchers close to the experiences of those being studied. Since this research is also an organisation study, interviewing the people who play roles in the real organisational settings provides insight into the perspectives of the insiders of the organisations.

Given the underdeveloped body of knowledge into the subject and the results from evaluating the methodological options available, it was decided to adopt an interpretive approach rather than a formal questionnaire. Therefore, two less formal approaches to the interviews, each differing in the level of formality and structure, were used. The first approach was semi-structured interviews and the second, a more informal approach, took the form of conversational interviews. Both approaches will be reviewed next.

Semi-structured interview

An interview guide (also known as interview schedule or interview protocol)—a pre-determined set of questions or issues that are to be explored during an interview—was designed and tested in the pilot study phase. This guide served as a checklist during the interview, and ensured that basically the same information was obtained from a number of informants. At the same time, there was a great deal of flexibility, as the order and the actual working of the questions were not strictly determined in advance. Within the list of topics or subject areas, the interviewer was free to pursue certain questions in greater depth.

Additionally, there was a concern that the interviewees might leave some important factors unmentioned, either deliberately or not. To avoid this problem and to provide some degree of consistency across interviews, a semi-structured interviewing approach was adopted, the resulting interview format being as follows (Bourne *et al.*, 2002):

- Each interview started with a series of open-ended questions.
- The responses to these questions were probed to ensure that the interviewees understood the points being made, and to gather specific examples.
- The initial questions were followed by questions focused on a prompt list of possible factors.
- The responses to the prompt list were probed to ensure understanding.

The prompt list of possible factors was developed based on the results suggested by the review of the existing literature, and also by the testing of the interview questions in the early phases of the study.¹

The advantage of the interview guide approach is that it makes the interviewing of a number of different individuals more systematic and comprehensive, by delimiting the issues to be taken up in the interview. Logical gaps in the data collected can be anticipated and reduced, while the interviews remain fairly conversational and situational. The weakness of this approach is that it might be difficult for the interviewer to pursue topics or issues of interest that were not anticipated when the interview guide was compiled. In addition, interviewer's flexibility in the wording and sequencing of questions may result in substantially different responses from different participants, thus reducing comparability. However, as the benefits of using the interview guide appear to exceed its drawbacks, the interview guide was used in this research.

The interviews were tape-recorded so that the purely verbal parts could be preserved for use, when needed, during data analysis. However, tape recorders were not capable of recording the informants' non-verbal language. Thus, during the interview process, the researcher—acting as the interviewer—also made notes of any non-verbal statements detected together with the information in the recorded tapes later transcribed.

¹ *'List of questions in the semi-structured interview guide,'* including probing questions and prompt list can be found in Appendix 1, at the end of this thesis.

Conversational interview

Since one of the weaknesses of the semi-structured interview is that it has less potential to deal with the unexpected emerging issues raised promptly by the informants, the more informal conversational interview was then used as a supplementary data-collection method to alleviate this problem.

During the conversational interviews, the investigator informally talked in general terms with the informants about the issue under study. The questions based on a broad theme of inquiry were asked, but not strictly put in any pre-established order. The interviews relied primarily on the spontaneous generation of questions in the natural flow of an interaction between the investigator and the informant. The aim was to help other relevant or related issues and topics, beyond the recognition of the researcher as an outsider, to emerge. Some of these emerging issues were worthy of further investigation, and were included as additional data. Using informal conversational interviews also helped in building rapport with individuals inside the organisations, which proved to be helpful in obtaining further data.

Unlike the semi-structured interviews, tape-recording and obvious note-taking were not used during the conversational interviews, because the intention was to make the conversation as casual as possible. If the informants had found that the conversations and their comments were being recorded, they might not have been willing to express their true views in responding to the questions asked. However, the information was recorded immediately after the conversations, so that omissions were minimised, and while the interviewer's prompt feedback on the information was still fresh.

The strength of this approach lay in the capacity for the interviewer to be flexible and highly responsive to individual differences, situational changes and emerging new information. The weakness was that it generated less systematic data that was difficult and time-consuming to classify and analyse.

For both semi-structured and conversational interviews, attention was paid to the body language—posture, gestures, and facial expressions—of the informants. An attempt was made to evaluate non-verbal as well as verbal statements.

Non-participant Observation

Non-participant observation involved the unobtrusive systematic noting and recording of activities and behaviour of the informants in the organisational settings. The main purpose was to obtain a thorough description of the organisational settings, including activities, participants and the meaning they attached to the settings.

There are several advantages to the observational method, for example, it provides a better understanding of the context in which the organisational activities occur; it permits the investigator to present a more comprehensive view of the organisations by combining her or his own—an outsider of the organisation, with that of others within the organisation; it assists in the understanding and interpretation of the settings by providing personal knowledge and direct experience.

The interview methods have strengths in that the information obtained is derived from the insiders' perspectives, who understand the situations in the organisations very well. In contrast, the insiders may be so involved with their social setting within the organisation

that they see things only from biased stakeholders' perspectives. By using the observation method, the investigator is allowed to experience the incidents through direct involvement and observation. The investigator is able to gain unmediated, first-hand insight into the situation. In addition, the investigator is able to detect important things which the insiders may ignore or omit, either intentionally or unintentionally, in an interview.

However, direct observation has a number of disadvantages. For example, Gummesson (2000) observed that the technique is often time-consuming, and that it is a '*shoot in the dark*' approach, with which it is difficult for the researcher to know when and where a particular incident will occur. Even if the researcher can predict the likelihood of the occurrence of such an incident, it may be infrequent. Indeed, the researcher's very presence may interfere with the incident.

For this study, non-participant observations were made by the investigator observing the management meeting sessions.

Documentation

In addition to the interviews and non-participant observation, documentation was another means of data-collection for this research. This included the documentary materials generated by the case organisations (e.g. reports, contracts, correspondence, memoranda, and other records) and by other parties outside the case organisations (e.g. legislation, regulations, newspaper reports, and newspaper editorial columns). The analysis of documents was intended to supplement the data obtained by ways of interviews and observations.

These kinds of documents are a useful source of information on organisational activities and processes, generating ideas for questions that can be pursued through observation and interviewing. In addition, documents can provide valuable information that may not be accessible by other means. For example, they can provide information about events or incidents that the investigator cannot observe because they took place before the investigation began; they provide quantitative information that is free from subjectivity.

Another advantage of this method is that the documents have been generated contemporaneously with the events to which they refer. Hence, they are less likely to be subject to memory decay or memory distortion compared with data obtained from an interview. However, a significant disadvantage is that they may be subject to selective-deposit or selective-survival bias.

By triangulating all three data-collection methods—interview, non-participant observation, and documentation—it was intended that each method would supplement the others and minimise the undesired effects that might be caused by the use of any single method.

7.4.5 Data Sources

Even though the triangulating use of the three data-collection methods discussed in the last section was expected to minimise the undesired effect caused by the use of only a single method, the results from the application of these methods in the pilot study revealed some

drawbacks with regard to the conversational interviews and non-participant observations, as detailed below.

Conversational interviews

- The results of the conversational interviews did not warrant the resources spent in arranging the interviews, conducting the interviews, processing and analysing the interview data.
- The informants were reluctant to be interviewed unless they were approached formally, i.e. with a formal letter stating acknowledgement of the interviews from the head of the organisation. This formal process would have severely delayed the interview arrangements as well as the subsequent processes.

Non-participant observations

- Public managers regarded the issue being studied as sensitive. For this reason, they were reluctant to allow outsiders to participate in the meeting sessions on such agendas. This point was emphasised by a senior executive in the pilot case:

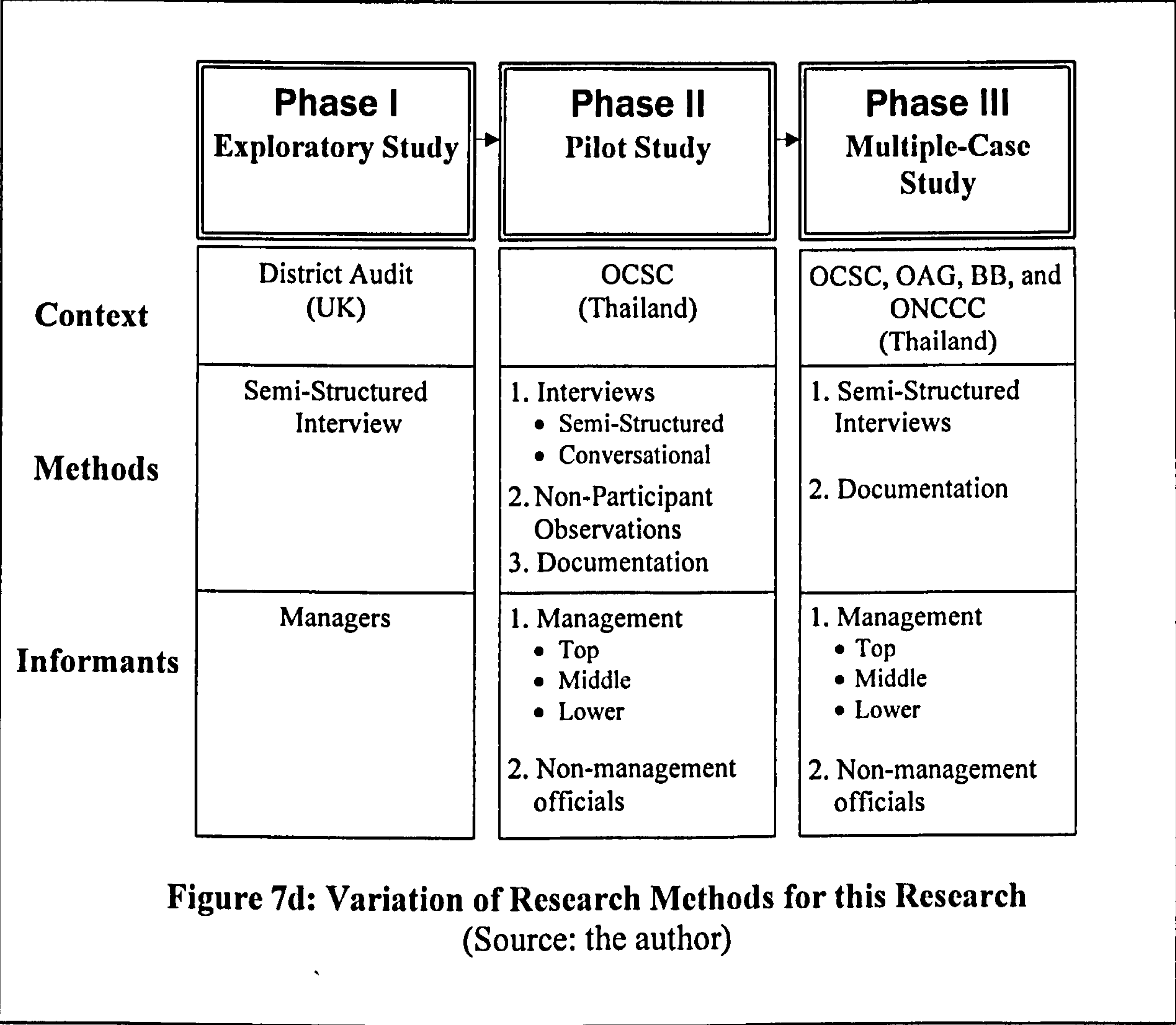
[Performance measurement] details are confidential. They are to be kept inside the agency, otherwise outsiders will know our private affairs

- The ‘*shoot in the dark*’ nature of this method (Gummesson, 2000) made it difficult for the researcher to know when and where the particular incident of interest would occur.

- Even if it was possible to predict the likelihood of the incident occurring (e.g. by checking the upcoming meeting agendas for each case), it was found that the incident was infrequent and did not coincide with this research schedule. This was particularly the case when it was needed to compare the observations results across the four organisation cases.

In view of the drawbacks of the conversational interviews and non-participant observations, these two data-collection methods were not included in the main phase of this study. Even though triangulation was adopted as the underlying principle for data-collection in this research, the primary method used in the main phase of the study was the semi-structured interviews coupled with documentation.

Figure 7d below summarises the variation of research methods throughout all three phases of this study.



In the main phase of this research (i.e. phase III), the primary data sources were the officials as the interviewees in each case. The interviews focused on the managers at different levels in the organisational hierarchy. The reasons for this were twofold; first, the managers were likely to have more information regarding the constructs studied (i.e. strategy, and performance measurement), and second, managers were more likely to have served in the public sector for a longer period of time than the non-management officials, and so would probably have greater insight into the constructs studied within her or his own organisation as well as within the Thai public sector in general.

The selection of management involved different managerial levels, including (1) executive officials as top management, (2) directors/middle managers as middle management, and (3) supervisors as lower-level management.

The levels of the management were defined by the informants' two characteristics, namely, (1) managerial duty, and (2) civil servant's Grade (from the lowest Grade 1 to the highest Grade 11)

The executive officials were those overseeing above departmental level whose grade was not lower than 9. The middle managers were those overseeing a department (or equivalent) and whose grade was not lower than 8. The lower managers (supervisors) were those overseeing a sub-unit lower than departmental level (e.g. division, sub-division, or group) whose grade was not lower than 7. Other informants were classified as non-management officials.

By using these classification criteria, it was possible to ensure that each informant was at the expected management level and had considerable work experience in the public sector (implied by her or his civil servant's grade). The inclusion of managers from different organisational levels made it possible to assess how similar/different the managers' perceptions of the constructs under study were, throughout the organisational hierarchy.

After the desired characteristics of informants were identified, the researcher then proposed these criteria to each case site's personnel department. The department then recommended

the particular officials whose background met the criteria and also were likely to be able to answer the questions in the interview list previously disseminated by the researcher.

The interviews were tape-recorded at the same time as notes were taken of the respondents' non-verbal language and the researcher's personal feelings during the interviews. The recorded tapes were later transcribed into Microsoft Word documents, along with other qualitative data to be analysed, with the supplementary data obtained in the form of documents. Data processing and data analysis are discussed in the following section.

7.5 Data Processing and Analysis

In this section, the processing of the collected data and two modes of analysis (intra-case and inter-case) will be explained.

7.5.1 Data processing

The main data for this research was derived from the interviews of the officials from four case organisations. In addition, this interview data was supported by documentation data.

The audiotape-recorded interview data were transcribed into Microsoft Word documents. Almost all of the transcriptions were made at the end of the interviewing days to ensure the

interviewer's fresh recall of the events. The interview transcripts were then printed out for easy reading and note-making.

Supporting documents from each case were arranged for easy retrieval when needed. The documents were first grouped for each case. The documents from each case were then re-grouped according to the nature of the documents (e.g. planning documents, annual reports, performance evaluation reports, policy/strategy statements, study reports, and laws and regulations).

The main purpose of the data processing was to assist in the developing of the case study database, which, in turn, would enhance the reliability of the research.

7.5.2 Data analysis

According to Gall *et al.* (1966), there seem to be three major distinct methods for analysis of case study data, including interpretational, structural, and reflective analysis. The interpretational method was adopted, as explained below.

The interpretational analysis for this research began with several rounds of reading through the interview transcripts and documents collected for each case. The readings were done thoroughly several times. The main purpose was for the researcher to become familiar with all of the data before moving on to the later stages of the analysis process.

After several readings of the transcripts, first-cut analysis attempts were made by arranging the data into broad topic areas. These topics were then checked against the transcripts again, and any necessary revisions were made. This iterative process resulted in eight broad topics:

- Strategy/Plans
- Performance measurement
- Alignment
- Operations
- Approaches to management
- Changes
- Coordination and communication
- Culture

Again, from additional rounds of transcript reading, categories within each topic were identified based on the interview data. Although the previously established topics and categories by other researchers conducting a similar or relevant study can normally be adopted, this was not possible for this research because there existed no similar studies. This researcher, therefore, had to develop topics and categories based on the collected data. The interpretational analysis of this study can thus be considered grounded in data in which topics and categories were derived from the data itself, and not from previously developed constructs or theories (Gall *et al.*, 1966).

After each round of reading, the categories were modified—both in terms of wording and coverage—to fit better with the evidence emerging in later readings. This process was conducted repeatedly until appropriate categories likely to cover all of the significant data in the transcripts were established. As a result, each topic comprised of many categories ready for the next analysis process—the coding stage.

The following table demonstrates examples of categories within each topic accompanied by (1) a code number at the top of each cell, and (2) the number of respondents appearing in the bracket at the bottom of each cell.

Topics	Category 1	Category 2	Category 3	Category 4	Category 5	Other categories
Strategy/ Plans	A1	A2	A3	A4	A5	A6
	Strategic management was new to the organisation	Understanding of the organisation's strategy/plans	Hierarchy of strategy/plans	Directions of planning process	Functions of plans	Yes
	(145)	(731)	(268)	(150)	(213)	(2,796)
Performance measurement	B1	B2	B3	B4	B5	B6
	Inactive use of performance measurement	Difficulty in using measurement system	Creations of the measures	Dis/advantages of the measurement	Measurement adaptability	Yes
	(355)	(449)	(214)	(304)	(317)	(4,709)
Alignment	C1	C2	C3	C4	C5	C6
	Dis/advantages of the alignment	Alignment was assumed	Proof of the alignment	Measurement changed as strategy changed	Ways to keep the alignment	Yes
	(95)	(38)	(14)	(75)	(120)	(815)
Operations	D1	D2	D3	D4	D5	D6
	Emphasis more on process than results	Concerns over inputs allocation and utilisation	Conceptions of routinism	Influences of political forces	Organisations design	Yes
	(386)	(204)	(198)	(270)	(89)	(2,146)
Approaches to management	E1	E2	E3	E4	E5	E6
	Management innovations were imposed	Lack of knowledge of imposed techniques	Attention to management innovations	Managing merely to survive	Risks of failure from adoption of new techniques	Yes
	(307)	(412)	(384)	(382)	(250)	(231)
Changes	F1	F2	F3	F4	F5	F6
	Changes experienced	Flexibility to cope with changes	N/A	N/A	N/A	No
	(644)	(344)	(N/A)	(N/A)	(N/A)	(0)
Coordination and communication	G1	G2	G3	G4	G5	G6
	Intra- and inter-organisation coordination	Intra- and inter-organisation communications	Attitudes towards own and other organisations	N/A	N/A	No
	(387)	(214)	(370)	(N/A)	(N/A)	(0)
Culture	H1	H2	H3	H4	H5	H6
	Receptive culture	Against performance measurement	Compromise and conflict avoidance	Favouritism and patronage	N/A	No
	(57)	(36)	(40)	(26)	(N/A)	(0)

Table 7b: Topics and Examples of Categories Derived from Interview Data
(Source: the author)

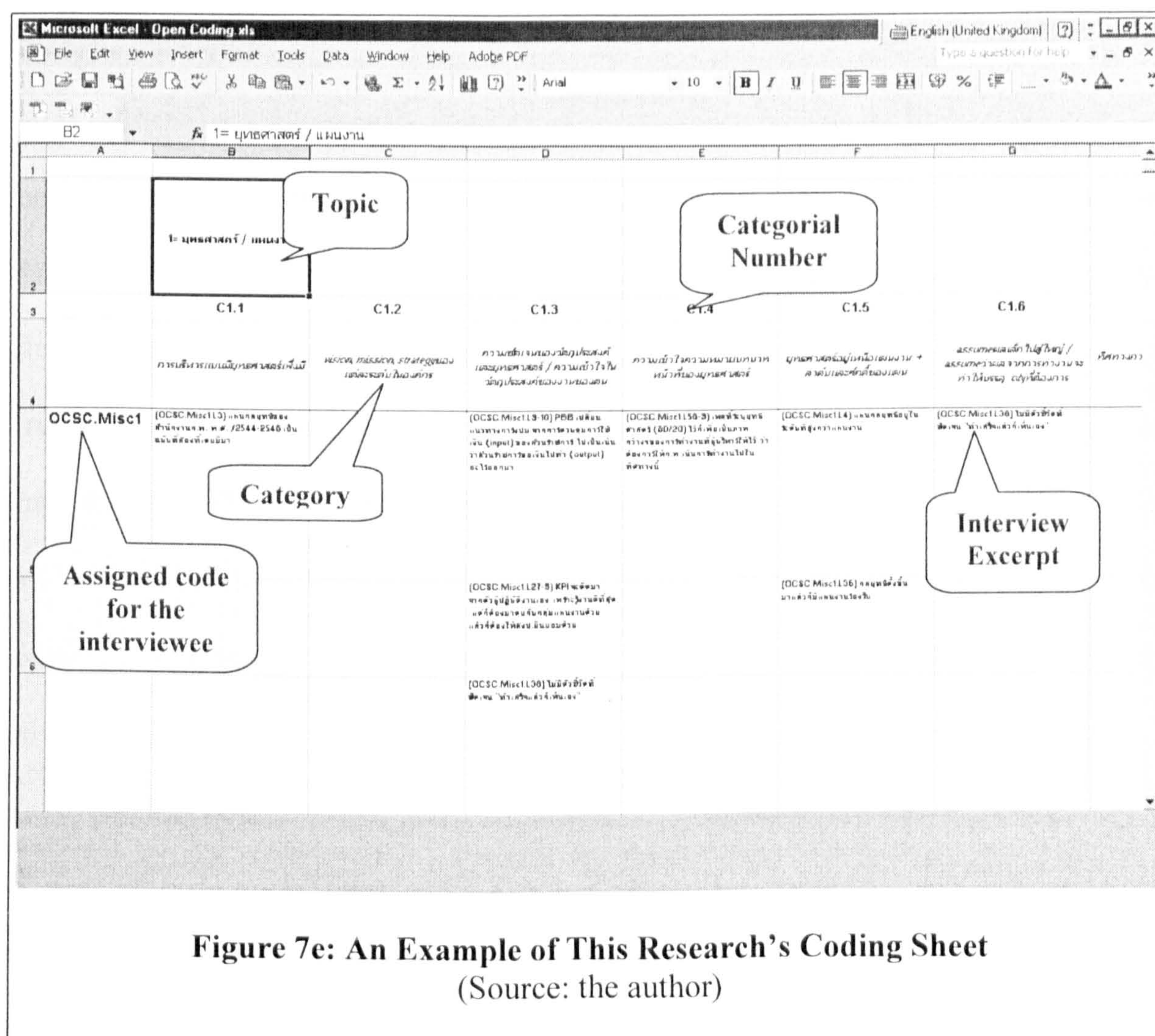
Once the broad topics were formed and categories within them identified, a Microsoft Excel spreadsheet was prepared as a coding sheet for the coding in the next stage.

The coding began with attempts to segment data, by dividing them into meaningful units—mainly questions and answers. The next step was to code data segments and sort them into each category. This was, again, very much an iterative process, referred to by Gall *et al.* (1966) as ‘*constant comparison*’, of studying the data segments, determining if they were in the most appropriate category, rearranging the segments, and refining and amending the categories. The purpose of the constant comparison was to clarify the meaning of each category, and create clear distinctions among them.

The constant comparison was made until reaching ‘*theoretical saturation*,’ the point at which no new data emerged relevant to an established category, no new categories were necessary to account for the phenomena of interest, and the relationships among categories were well established.

This process resulted in each category containing data segments directly extracted from the interview transcripts, which could be used as cited evidence in the case study report writing stage later. The extracts were carefully selected to fit into each category. This was done to ensure that the context of the accounts and reminiscences told by the interviewees in terms of stories—as narratives—was not lost when they were dissected into extracts (Coffey and Atkinson, 1996).

The following figure provides an idea of the way the coding sheet for this study is presented. However, the figure shows only a small fraction of the real—approximately 50 cells x 800 cells—coding sheet.



It should be noted that all analysis processes were conducted manually. There were two reasons that qualitative data analysis (QDA) and qualitative solutions and research (QSR) packages such as Nud*ist or NVivo were not used.

Firstly, this study was conducted within the Thai public sector organisational context, in which the first language of all interviewees was Thai. Therefore, all interviews were

conducted in Thai. This resulted in almost all data being in Thai, while the available data analysis computer programmes were not able to support Thai characters. Even though the data could have been translated into one of the languages supported by such programmes, there would have been the risk of losing conversation points and/or perspective in the process of translation.

Secondly, the translation of all the data would have taken an inordinate length of time. This was a particular concern considering the amount of obtained data to be transcribed, including (1) all interview transcripts, consisting of over three hundred and thirty thousand words from thirty-four interview transcripts, (2) one hundred and twenty-three documents, comprising of well over four thousand pages, and (3) extensive observation notes from the pilot study. Therefore, translations were selectively made only when it was absolutely necessary, for example, for data segments used in the writing-up of the post analysis case study report.

The data analysis for this research was conducted at two levels, i.e. intra-case and inter-case, each of which will be explained next.

Intra-case analysis

The above analysis processes were first applied with data from each case site, beginning with the OCSC, the OAG, the BB, and the ONCCC cases respectively. The importance of this level of analysis is determined by one of the realities of case study research—a staggering volume of data.

Eisenhardt (1989) suggested that this level of analysis involves detailed case study write-ups for each case site. These write-ups are often simply pure descriptions, but they are central to the gaining of insight because they help researchers to cope early in the analysis process with the often enormous volume of data. Following Eisenhardt's (1989) suggestion, the descriptions of each case site will be reported in the next chapter.

The overall purpose of the intra-case analysis was for this researcher to become intimately familiar with each case as a stand-alone entity. With intra-case analysis, the perceptions of people—in the same organisational contexts—with regard to the phenomenon under investigation were analysed. This process allowed the unique patterns of each case to emerge before the researcher turned to generalise patterns across cases. In addition, with the familiarity with each case, the researcher was able to accelerate cross-case comparison in the next step of the analysis—the inter-case analysis.

Inter-case analysis

Inter-case analysis (also known as cross-case analysis) involved the comparison of data from multiple case studies, in order to examine similarities and differences between cases (Eisenhardt, 1989). The comparison was made by considering data from all four cases as one piece and then analysing it altogether. In this way, it was possible to investigate the phenomenon in different organisational contexts. This also helped in generalising the research findings to a wider context.

To conclude, it is perhaps not over-exaggerating to claim that the analysis for an inductive-interpretive case study like this research requires the researcher's creative imagination. To paraphrase Hempel (1966):

There are, then, no generally applicable 'rules of induction', by which hypotheses or theories can be mechanically derived or inferred from empirical data. The transition from data to theory requires creative imagination. Scientific hypotheses and theories are not derived from observed facts, but invented in order to account for them.

7.6 Quality Assurance for Case Study Research

As mentioned earlier in section 7.2, criticism of the case study approach is not uncommon. In light of this, quality assurance measures were taken seriously into consideration in this research.

Many authors suggested various criteria for assessing the quality of case study research. Examples of these criteria are shown in the following table:

Author(s)	Case Study Evaluation Criteria
Lincoln and Guba (1985)	Validity (internal and external) Reliability Objectivity
Guba and Lincoln (1989)	Credibility Transferability Dependability Confirmability
Gill and Johnson (1991)	Validity (internal and external) Reliability
Hedrick <i>et al.</i> (1993)	Validity (internal, external, construct, and statistical)
McCutcheon and Meredith (1993)	Validity (internal, external, construct, and content) Reliability
Yin (1994 and 2003)	Validity (internal, external, and construct) Reliability
Locke (2001)	Internal validity Generalisability Reliability Objectivity
Stuart <i>et al.</i> (2002)	Validity (internal and construct)
Voss <i>et al.</i> (2002)	Validity (internal, external, and construct) Reliability

Table 7c: Range of Case Study Evaluation Criteria
(Source: the author)

Despite the variation among different authors, these criteria tend to fall into two groups: the validity and the reliability of case study. These two criteria will be reviewed in turn.

7.6.1 Validity concern

Generally, there are at least four types of validity requirement: internal, external, construct, and content validity. Each of these types of validity will be explored next.

Internal validity

Internal validity concerns the establishing of a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious

relationships (Yin, 1994). In other words, internal validity concerns whether or not what is identified as the '*cause(s)*' or '*stimuli*' actually produce what have been interpreted as the '*effects*' or '*response*' (Gill and Johnson, 1991). Yin and Heald (1975) asserted that internal validity raises the question of whether a study's research design is adequate to support the study's conclusions.

To increase internal validity, Yin (2003) suggested four tactics, namely, the use of pattern-matching (see also Campbell, 1975), explanation-building, rival explanations, and logic models. In addition, Stuart *et al.* (2002) asserted that, to demonstrate the study's internal validity, the researcher needs to record evidence of other factors that might provide alternative explanations for the observed patterns. Most of all, the protocol must outline the site characteristics sought.

McCutcheon and Meredith (1993) noted that analysis and data triangulation can help case researchers acquire the most accurate picture of events. However, the researcher may face a very complex phenomenon which, coupled with a small number of comparison sites, increases the likelihood of deducing incorrect causal relationships. These authors thus recommended that an approach for validating conclusions is through pattern-matching, whereby the pattern of independent versus dependent variables expected through the theory is compared, case by case, against the pattern of observed characteristics. Each new case provides another independent test of the hypothesised relationships.

External validity

External validity concerns the establishing of the domain to which a study's findings can be generalised beyond research settings (Yin, 1994). Broadly speaking, external validity is a concern over the generalisability of the research findings.

According to Gill and Johnson (1993), external validity is often subdivided into two categories:

- Population validity concerns the generalisability from a research sample to a wider population.
- Ecological validity concerns generalisability from the actual social context in which the research has taken place and data thereby gathered, to other contexts and settings.

Tactics that can be used to cope with the external validity problem include the use of theory in single-case studies, and replication logic in multiple-case studies (Yin, 2003). Eisenhardt (1989) also emphasised that, in replication logic, cases that confirm emergent relationships enhance confidence in the validity of the relationships. On the other hand, cases that refute the relationships often can provide an opportunity to refine and extend the theory. That is, for case studies, results can be tested and extended by replication (McCutcheon and Meredith, 1993).

Construct validity

Construct validity concerns the establishing of correct operational measures for the construct—concepts being studied (Yin, 1994).

McCutcheon and Meredith (1993) portrayed construct validity as the extent to which the operational measure for a construct (1) reflects all of the construct's observable effects, (2) appears to describe a single construct, and (3) correlates appropriately with operational measures of other related constructs. Thus, construct validity is the issue of establishing the theoretical territory that goes with the defined construct, and ensuring consistency between it and other recognised constructs.

Tactics for enhancing construct validity include using multiple sources of evidence, establishing a chain of evidence, and having key informants review a draft case study report (Yin, 2003). Voss *et al.* (2002) also concurred that through triangulation with multiple means of data-collection, validity can be increased further. Similarly, Stuart *et al.* (2002) suggested that one way to ensure construct validity was for the researcher to look for multiple sources of evidence for each of the important elements or variables in the propositions, using triangulation. Finding sources that would be available at all sites makes it easier to demonstrate that the same phenomenon was measured in each situation.

Content validity

Content validity concerns the degree to which the operational measure accurately reflects a precisely defined construct (Zaltman *et al.*, 1982). Compared with construct validity, in which focus is upon the correctness of the operational measures, content validity pertains to the way the construct is measured rather than its theoretical basis.

McCutcheon and Meredith (1993) noted that content validity concerns whether the operational measure corresponds well with the construct it is supposed to 'tap'.

The authors also noted that content validity problems are likely to arise where constructs have broad potential domains, and that owing to the limitations of construct development and testing, researchers are likely to confront both construct and content validity problems.

Despite the claims that content validity should be used as a criterion for assessing the quality of case studies, specific pragmatic techniques to enhance content validity are rare.

7.6.2 Reliability concern

This criterion basically refers to the extent to which the operations of a study—such as the data-collection procedures—can be repeated, with the same results (Yin, 1994; and Voss *et al.*, 2002). Guba and Lincoln (1989) and Lincoln and Guba (1985) maintained that reliability—the consistency of a given inquiry—is generally a precondition for validity, and it typically rests on replication.

To satisfy this criterion, it should be possible for another researcher to replicate the original research, using the same subjects and the same research design under the same conditions (Gill and Johnson, 1991). For this purpose, McCutcheon and Meredith (1993) suggested a few techniques that can be used to increase reliability of case study data. These techniques included using a variety of data-collecting methods, having more than one researcher present, and using a tape-recorder in collecting interview data.

The authors also noted that one advantage of the case study is that if the researcher is sceptical about the reliability of some data, steps can be taken midstream to verify the suspicions and improve the data-collecting procedures. Additionally, researchers can increase the reliability of their research through the use of case study protocol and the development of a case study database (Yin, 2003).

In this section, the criteria for judging the quality of case study research as well as the possible tactics to tackle the research quality problems have been reviewed. In the next section, the measures taken to ensure the quality of this particular research will be discussed.

7.6.3 Quality-assurance measures for this research

Since the concerns over the quality of this case study research were not taken lightly, a number of quality-assurance measures were taken to increase the quality of the research. These measures are summarised in the following table, and will be discussed after.

	Research Design	Data Collection	Data Analysis
Validity			
- Internal	Using polar-typed logic	Using multiple sources of evidence	Pattern-matching
- External	Using replication logic	N/A	N/A
- Construct	Using exploratory, pilot study, and testing protocol before real use	Having protocol reviewed	N/A
- Content	N/A	Using different questions to probe the same phenomenon	N/A
Reliability	N/A	Using case study protocol & Developing case study database	N/A

Table 7d: Summary of Quality-Assurance Measures for this Research
(Source: the author)

From the above table, it can be seen that several quality-assurance measures were applied throughout all three major stages of the research. Measures used for each stage will be discussed next.

Research design stage

As early as in the research design stage, validity was enhanced through many tactics, including:

Use of polar-typed logic for case selection

To increase the internal validity, four organisations selected as case sites were categorised into two groups—less political independence and more political independence. The OCSC and the BB represented the extreme cases within the less political independence category, while the OAG and the ONCCC represented the extreme cases within the more political independence category. The main reason underpinning the application of polar-typed logic was to make the process of interest ‘*transparently observable*’ (see the detailed discussion regarding this logic in section 7.4.2).

Use of replication logic

To increase external validity, both literal and theoretical replications for case selection were used. That is, similar results were expected from each of the two pairs of literally replicated cases, i.e. the OCSC vs. the BB, and the OAG vs. the ONCCC. On the other hand, contrary results were expected from the comparison of four pairs of the theoretically replicated cases, i.e. the OCSC vs. the OAG, the OCSC vs. the ONCCC, the BB vs. the OAG, and the BB vs. the ONCCC. (see the detailed discussion regarding this logic in section 7.4.2 earlier).

Use of exploratory and pilot case study

The purpose of conducting both an exploratory study within the UK context, and a pilot case study within the Thai context was to validate the construct of this study. Each study was conducted at different times. After the research construct was initially clarified, as suggested by the exploratory study, it was further clarified again after the pilot study.

Test of case study protocol

The conducting of the exploratory and pilot study could also enhance the construct validity of this research because the case study protocol was tested to ensure the quality of any data-collection instruments that were to be used in the main phase of this research. Subsequently, the protocol was revised accordingly (e.g. wordings in the interview questions, breadth of the questions, sequence of the questions, length of each interview session, and interview data recording).

Data-collection stage

In this stage, validity was increased by:

Use of multiple sources of evidence

To increase internal validity, the concept of triangulation was then adopted. Multiple sources of evidence and data-collection methods were employed. That is to say, in addition to the data being collected from four different cases, the interviews for each case site were conducted with officials throughout the hierarchy of the organisations involved (from non-management to top executive). The documents were gathered both from within the organisations and from the outside. Tertiary data were also gathered (e.g. newspaper reports, newspaper editorial columns).

Having protocol reviewed

After the pilot case study, the case study protocol was reviewed by a doctoral student colleague researching into a comparable area, i.e. performance measurement from an accounting perspective. This review proved particularly useful, since the reviewer was also a Thai, and was able, therefore, to help in clarifying the protocol to suit better the Thai context. As a result, the enhancement of the construct validity of this study was expected.

Use of different questions to probe the same phenomenon

To ensure content validity of the data, especially with regard to the interviews, different questions were asked to probe the same phenomenon. Alternatively, critical questions were rephrased and asked at a different point in time during the interviewing sessions. The main

purpose was to check the interviewees' understanding of the construct, and to ensure that the interview accurately reflected a precisely defined construct.

Reliability-enhancing tactics were also applied in this data-collection stage. These tactics included:

Use of case study protocol

To increase the study's reliability, the case study protocol, the main part of which related to interviewing (consisting of, for example, questions to ask in an approximate order, and prompt questions to help remind interviewees of the phenomena) was developed and used principally to guide data-collecting activities. By using the case study protocol, it is possible for other researchers to repeat this study and thus enhance the reliability of the study. Moreover, by using the protocol, it was less likely that the present researcher would omit significant questions whilst focusing on the participant during interviews

Development of case study database

Through the development of the case study database, the enhanced reliability of this study could also be anticipated. Detailed discussion of the development of the database for this study has already been provided earlier in section 7.5.1.

Data analysis stage

Pattern-matching

Finally, the validity was further enhanced by the use of pattern-matching in the data analysis stage. For this study, the commonalities and differences between the data analysis both within and across case sites were compared, and the pattern of evidence was established, in order to support the claimed findings of the research.

Even though a number of tactics were used throughout all stages of this research, this was done simply to minimise the effect of the inherent flaws in case study research. In spite of the application of the quality-assurance measures discussed, the researcher realised that there still were some weaknesses in this research. The weaknesses of this research will be identified later in section 10.5, where the limitations of the research are discussed.

7.7 Summary

According to the nature of this research, the multiple-case study approach appeared to be an appropriate research strategy, and was thus adopted.

This multiple-case study research comprised of three phases: an exploratory study, a pilot study, and a multiple-case study as the main phase of this research.

The research context selection criteria and selected cases were identified. For the exploratory study, the selected case was the UK District Audit. For the pilot case study, the selected case was the Office of Civil Service Commission (OCSC) in Thailand. And for the main multiple-case study phase, the selected cases were four Thai central government agencies, including the OCSC, the Bureau of the Budget (BB), the Office of the Auditor General (OAG), and the Office of the National Counter Corruption Commission (ONCCC).

As a result of the testing of the research protocol in the pilot study, semi-structured interviews and documentation were used as data sources for the main phase of the research. The interviewees included managers at three different managerial levels (i.e. lower, middle, and top management) and non-management officials within each case site. The document data was obtained from a range of documentation, including both internal documents (e.g. reports, correspondence, memoranda, and other records) and external documents (e.g. legislation and regulations, newspaper reports, and newspaper editorial columns). The triangulation concept was taken as the underlying principle both for case selection and for data-collection.

The obtained data was processed to form a case study database. An interpretational analysis was then conducted at both intra- and inter-case levels.

The quality assurance for case study research in general was reviewed and the quality-assurance measures for this research in particular were identified. It appeared that the most common quality-assessing criteria of case study research were its validity and reliability.

Therefore, tactics used to tackle validity and reliability problems throughout different stages of this research were developed.

In the next chapter, the results of the application of the research methods discussed in this chapter will be presented, including the descriptions and the intra-case analysis results for each of the four case sites.

CHAPTER 8

Case-Site Descriptions and Analysis

8.1 Introduction

The previous chapter set out this study's research methods. Case study approach seemed appropriate and was chosen as the research strategy. The research design consisted of three phases, including an exploratory study, a pilot study, and a multiple-case study. The multiple-case study, which was the main phase of this research, comprised of the studies of four Thai central government agencies. Data-collection, data processing, and data analysis were also explained. The issues of quality concerns and quality-assurance measures for this research were also identified.

This chapter has two purposes: firstly, to provide case descriptions of each case site; and secondly, to discuss the results of in-case analyses. Therefore, there will be two sections for each case: (1) case-site descriptions, and (2) case-site analysis. In the first section, the descriptions of the case site will be provided, including historical perspective, political dependency, board of commissioners, duties and responsibilities, organisation structure, vision, missions, strategies and objectives. Secondly, in the case-site analysis section, discussions will focus upon three topics and sub-topics as follows:

- Strategy
 - Meaning, purposes and functions of strategy
 - Compliance with strategy
 - Changes in strategy

- Performance measurement
 - Performance measures
 - Performance measurement system
 - Performance measurement

- Alignment between performance measurement and strategy

Six-months of data-collecting fieldwork resulted in the accumulation of a considerably large amount of data, including thirty-four interviews (with over three hundred thousand words of interview transcripts) and over one hundred and twenty items of supporting documents (with over four thousand pages). The audio-recorded interviews were transcribed, codified and analysed together with supporting documentation, and formed the basis of Chapter 8 and 9.

Each of the above topics, as well as sub-topics within each, emerged from the results of the iterative data analysis processes explained in section 7.5. However, due to the strict limitation in the number of words for this thesis, not all emerging topics will be discussed.

The presentation of the case-site descriptions and the case-site analysis for all four cases will follow the aforementioned format. Selective examples of interview data will be provided to give life-like evidence that adds substance to the discussion. Additionally, in order to provide linkages between data analysed and data collected, a code number based on Table 7b, on page 232, will be shown for each ‘cluster’ of the interview data quoted throughout the discussion in this chapter.

The following table presents a brief overview of all four case sites.

Characteristics	OCSC	OAG	BB	ONCCC	Total
Dependent on government	Yes	No	Yes	No	N/A
Number of staff	641	2,511	1,089	573	4,814
Board of commissioners	Yes	Yes	No	Yes	N/A
Number of commissioners	15-17	10	N/A	9	N/A
Board term length (years)	2	6	N/A	9	N/A
Budget: Fiscal year 2004 (million Thai Baht ^a)	1,229.0	829.5	396.6	334.7	2,789.8
Location	Bangkok	Bangkok,	Bangkok	Bangkok	N/A
Year founded	1929	1979	1959	1975	N/A
Number of interviews	16 (5 ^b , 5 ^c)	6	6	6	34
Top mgmt	3 (2 ^c)	1	1	1	6
Middle mgmt	3 (1 ^b , 1 ^c)	2	2	3	10
Lower mgmt	6 (2 ^b , 2 ^c)	2	2	2	12
Non-mgmt	4 (2 ^b)	1	1	N/A	6
Number of words (Thai) in transcripts	173,677 (113,950 ^c)	48,010	56,506	54,603	332,796
Number of items and pages of the obtained documents	44+ items 769+ pgs	28+ items 479+ pgs	23+ items 616+ pgs	28+ items 2,247+ pgs	123+items 4,111+pgs

^a 70 Thai Baht = 1 British Pound (approx.)
^b denotes conversational interviews
^c denotes pilot study interviews

Table 8a: Case Sites Overview
(Source: data gathered by the author)

The order of presentation of the case sites is chronological according to the first time the contact was made with each site, i.e. the Office of the Civil Service Commission (OCSC), the Office of the Auditor General (OAG), the Bureau of the Budget (BB) and the Office of the National Counter Corruption Commission (ONCCC) respectively.

8.2 The Office of the Civil Service Commission

Case-Site Descriptions and Analysis

In this section, the OCSC case-site descriptions will be provided, and the results from the OCSC case-site analyses will be discussed.

8.2.1 OCSC case-site descriptions

Historical perspective

In 1928, the first Thai central personnel agency—the Civil Service Commission (CSC)—was established to ensure that public personnel management abided by the Civil Service Act. The OCSC was then founded to work as the secretariat to the CSC.

Political dependency

The OCSC is a government agency under the Office of the Prime Minister, headed by the Secretary-General, who is directly accountable to the Prime Minister. In practice, a Deputy Prime Minister is often appointed to chair the CSC.

The Civil Service Commission

The CSC comprises of five commissioners ex officio, five elected commissioners and five to seven academic specialists from related fields. The ex officio members are:

1. Prime Minister or a Deputy Prime Minister authorised by the Prime Minister as the chairman
2. Permanent-Secretary of the Ministry of Finance
3. Director of the Bureau of the Budget
4. Secretary-General of the National Economic and Social Development Board
5. Secretary-General of the OCSC as Commissioner and Secretary

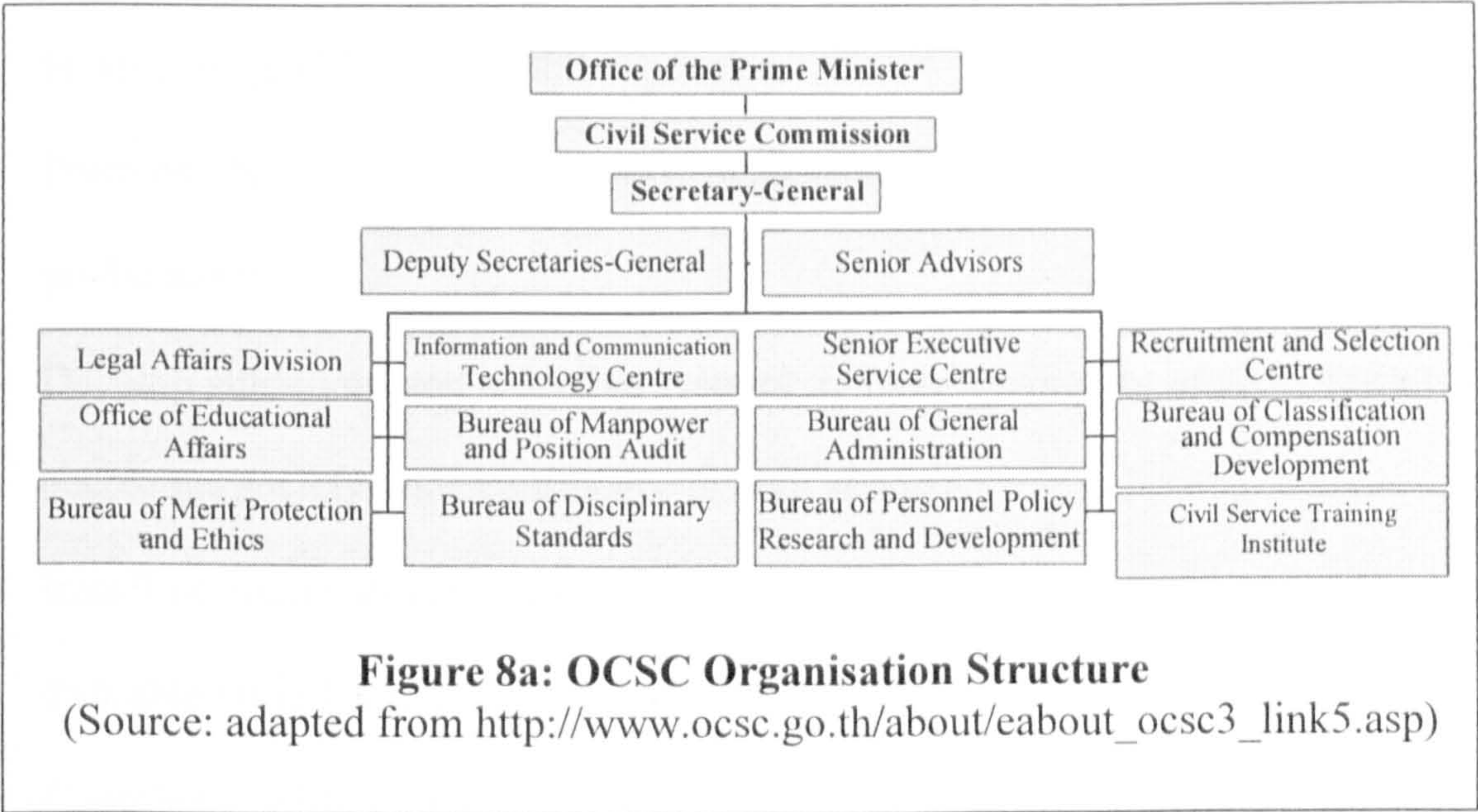
Duties and responsibilities

The OCSC's main duties and responsibilities include:

- Carrying out duties as assigned by the CSC.
- Researching into civil service personnel administration.
- Developing and preparing civil service manpower policies and plans.
- Co-ordinating and implementing activities for the development of civil service personnel.
- Administering government educational scholarships to serve manpower needs in the public sector.
- Approving educational credentials for the purpose of reinstatement and appointment to the civil service.
- Maintaining civil servants' career records.

Organisation structure

The OCSC comprises of twelve functional departments (or equivalent). Figure 8a illustrates the OCSC organisation structure.



Vision¹

OCSC shall be an agency supporting, promoting and stimulating the public sector’s efficiency, quality, prestige and transparency for the genuine well-being of the Thai citizens.

Source: Bureau of the Budget (2002:107)

¹ There were discrepancies in the documentation data regarding vision, mission, strategy and objectives for all four cases. These data for each case site were stated differently in different documents. Therefore, in order to make the data comparable across cases, the uniformed data appearing in the Bureau of the Budget’s annual budget document for the fiscal year 2003 (Bureau of the Budget, 2002) have been used.

Missions

- Formulate public administration policies and personnel management that are efficient, effective and creditable.
- Develop merit-based public administration and personnel management standards to be used as guidelines for public agencies.
- Promote the use of contemporary management techniques and principles among public agencies.
- Develop guidelines and incentive systems to foster the dignity of civil servants and to encourage society-wide confidence in civil services.
- Install personnel development systems to enhance civil servants' capabilities, skills, desirable attitudes and service mentality.
- Coordinate with public agencies to establish systems, rules and mechanisms to monitor and evaluate the effectiveness and efficiency of the public administration.

Source: Bureau of the Budget (2002: 107)

Strategy

Public sector management and the country's development are efficient, transparent, equitable, congruent with socio-economic changes and up-to-date with globalisation.

Source: Bureau of the Budget (2002: 107)

Objectives

- The OCSC carries out roles and responsibility effectively and efficiently.
- Public personnel have knowledge and capability in line with public sector missions and policies.
- Public sector missions and operations are clear, streamlined and flexible enough to adjust to global changes. Public administration focuses on the citizens with systematic performance measurement in terms of effectiveness, efficiency and quality.
- All personnel management mechanisms are appropriately reformed to ensure that personnel are knowledgeable, capable and determined to achieve public objectives with integrity and focus on public interests.
- Public personnel have new culture and values emphasising capability, honesty, diligence, perseverance, responsibility, discipline and professional ethics in performing their duties for the benefit of the public and the nation.

Source: Bureau of the Budget (2002: 107-8)

8.2.2 OCSC case-site analysis

In addition to being one of the four cases in this multiple-case study, the OCSC was also the pilot study case site. Therefore, the OCSC interviews were conducted in two separate phases.

The first phase of the OCSC interviews—the pilot study phase—was conducted between January 21st – February 4th 2003 with five informants: two top executives, one middle manager and two supervisors. On average, the informants had worked for the OCSC and had been in the current position for 30.60 and 4.34 years respectively. The transcripts of the pilot interviews comprise of 113,950 words in Thai.

The second and main phase of the OCSC interviews was subsequently conducted during the period May 22nd – June 18th 2003, after the interview guide had been tested and amended, as suggested by the results of the pilot study. In this phase, six informants were interviewed: one top executive, one middle manager, two supervisors and two non-management officials. On average, the informants had worked for the OCSC and had been in the current position for 23.17 and 3.92 years respectively. Application of the amended interview guide resulted in more concise interview transcripts, comprising of 59,727 words in Thai.

Strategy

The informants widely perceived the OCSC to have a comparatively stronger strategic management background than other Thai public agencies. Despite strategic management being rather new for the Thai public sector, the OCSC strategy origin could be traced back to a decade or so before, when its first strategy was officially formulated.

Meaning, purposes and functions of strategy

According to the informants, clarity was one of the fundamental characteristics of strategy. Without clarity with regard to the strategy's meanings, purposes and functions; officials would not be able to have a common understanding of the strategy. A top executive highlighted the point that, *strategy must be clear and objective yielding measurable working results.*

Despite the OCSC having written strategy statements, some informants were not certain of the meaning of strategy. As a top executive stated, *I am not sure if we have strategy [Strategy] must be defined first, so that we know what it actually means.* It seemed that different officials interpreted the same written strategy statement differently.

In spite of a need for clarity with regard to the definition of strategy in view of the diversity of interpretations offered by officials, an informant—a middle manager—assumed that, since the strategy is a shared common understanding, *it's not necessary to write it down in words. The OCSC people would already understand.*

According to the informants, strategy can have several purposes and functions, but mainly to provide focus for the whole organisation. In giving focus, strategy helps building confidence among staff, because once the organisation’s focus is known, individuals can readily see what they are working towards. The following interview data categorised within cell A2 in Table 7b highlight this point.

Strategy provides organisational focus.

A middle manager

Strategy gives direction downwards from the organisation’s vision to day-to-day operations.

A supervisor

Interpreted variously, however, strategy was often generally regarded as *a course of actions given by the top management*. As a ‘given’, strategy was thus considered by some officials as inviolable, or even sacrosanct—the point highlighted by the following interview quote categorised within cell A2 in Table 7b.

There should be a review of strategy. But nobody dares to say the existing strategy is not good.

A supervisor

Compliance with strategy

Once the strategy had been formulated, plans were to be issued accordingly. These plans were expected to be in compliance with the strategy. Many informants highlighted this point, for example, that:

A capable agency must have plans/projects in line with strategy.

Planning is not just guesswork ... strategy provides a working path.

Agencies then plan their courses of work in accordance with the strategy.

A top executive

Strategy is like a compass showing the organisation a direction. At the lower levels in the organisation, people must consider what they have to do to help the organisation reach its destination.

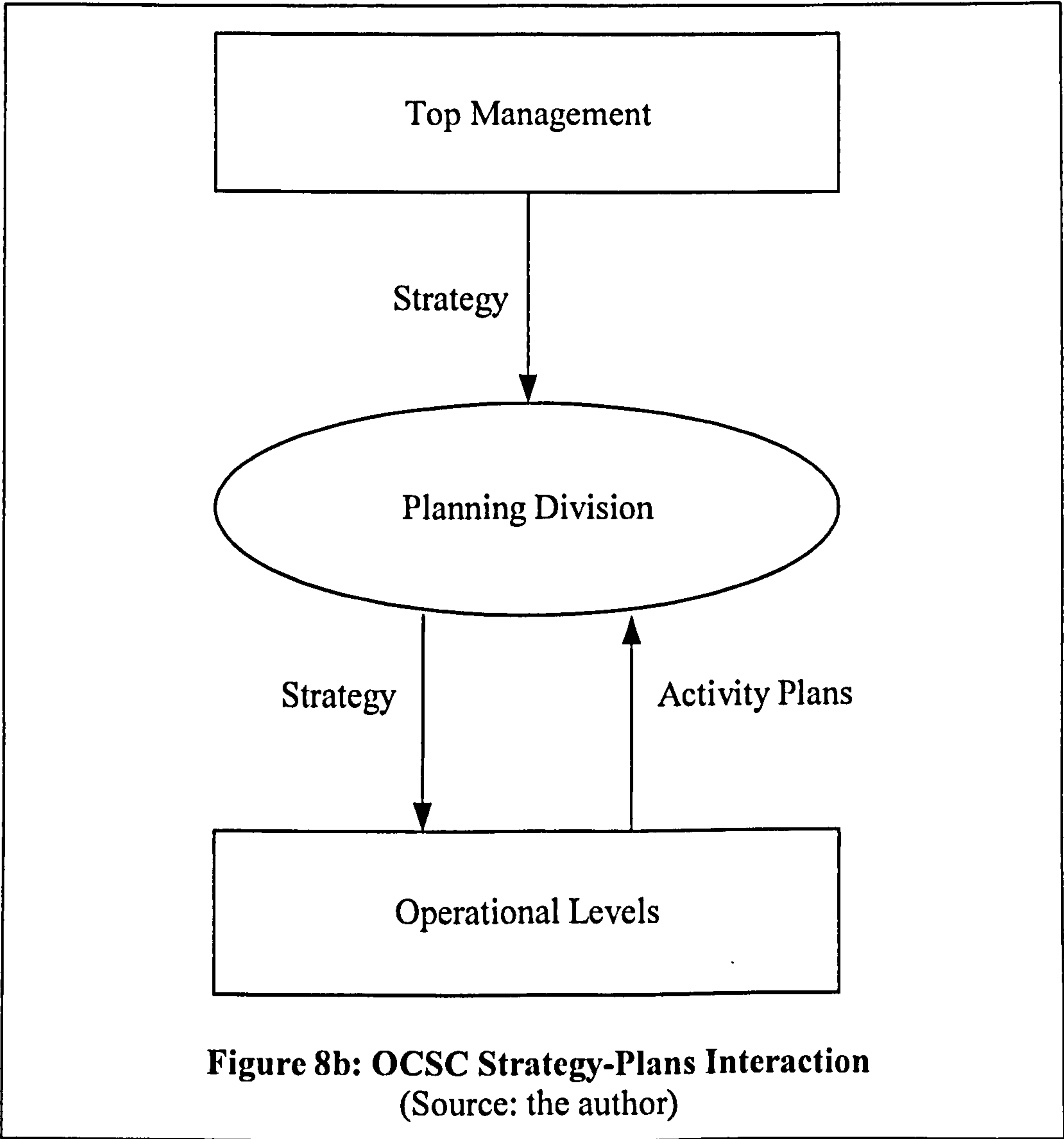
A supervisor

The above interview quotes were classified within cell A3 in Table 7b.

By following these plans, the hands-on personnel can make sure that their activities have the same focus as that of the organisation. Therefore, plans appear to help in aligning organisational activities with the strategy.

For the OCSC, the planning division—a division within the bureau of general administration—has a duty to find a compromise between the strategy given by the top management and the activities from operational perspectives. Figure 8b illustrates that the

planning division links top management and operating staff to ensure the compliance of all organisational activities with the strategy.



All OCSC departments/divisions were required to prepare and submit their annual operating plans, which were aligned with the organisational strategy, to the planning division. The planning division's two important activities were (1) to collect plans from all departments/divisions and (2) to ensure that the activities specified in these plans support the organisational strategy. A supervisor in the planning division explained that, *I have to*

connect the top with the bottom of the organisation. People at the bottom don't always have time to learn the organisation direction. This interview quote fell in cell A4 in Table 7b.

The planning division would eventually collate all plans to produce the OCSC's overall plans to be proposed to the Bureau of the Budget as a supporting document requesting the annual budget for the coming fiscal year.

Although all plans and activities were expected to be derived from the strategy and to focus on the same direction, many informants noted that the planning process was not always the derivative of strategy. Instead, activity plans sometimes relied heavily on what had been done. This point was highlighted by an official, responsible for the planning of a bureau, *normally we begin the planning by looking at our day-to-day activities.* A top executive shared the same opinion stating that, *while strategy is given downwards, the planning procedure is still bottom-up.* These two interview quotes were examples of the interview data categorised within cell A4 in Table 7b.

However, a number of officials noted that the OCSC strategy had become more influential in the planning process. Even though it was widely accepted that plans and activities at the lower organisational levels should reflect and support the strategy, aberrations were mentioned on occasion. Informants from all organisational levels explained this, as in the following examples categorised into cell A2 in Table 7b:

We looked only at the objectives. If they were achieved, we paid little attention to the strategy used.

A top executive

Nobody monitored whether the success was from following the strategy ... it was not destructive as long as objectives were accomplished. It was not wrong.

A middle manager

There was no monitoring of the compliance with strategy ... how could we do that? ... sometimes our work may not be relevant to any strategies at all.

A supervisor

For some activities, when I tried to find their linkages with the strategic objectives, I just couldn't find any. Some activities we don't have to do at all.

A non-management official

It can also be noted that not all officials favoured the OCSC's adoption of strategic management. Some informants regarded strategy more as mandatory than necessary by commenting that:

It was the Cabinet's Resolution that public agencies must adopt strategic management.

A supervisor

Therefore, even though the OCSC fulfilled the external requirements by having strategy in place, its operations did not always comply with the strategy. In other words, strategy disconnection occurred.

Changes in strategy

The interviewees mentioned several factors that can cause changes in the OCSC strategy, including mission changes, political/governmental changes, unachieved objectives, external environment (e.g. economic crisis), and top management changes. However, the mission changes resulting from the founding of the Office of the Public Development Commission (OPDC) were the most frequently identified factor triggering OCSC strategy changes. The following interview extracts—classified within cell A6 in Table 7b—are examples of how the informants mentioned changes in strategy due to these mission changes.

...because our roles and missions have changed, the work we used to do is now taken care of by the OPDC. What we have left is human resource management ... the strategy thus needs to be altered.

A top executive

It has been apparent since the founding of the OPDC that our missions have changed. As a result, the OCSC must re-examine its missions, and change vision and strategy.

A supervisor

In addition, political/governmental requirements were seen as highly influential in causing strategic changes. The government can influence the OCSC strategy mainly through the Deputy Prime Minister, who chairs the Civil Service Commission (CSC), to which the OCSC is the secretariat. The following quotes are examples of the interview extracts categorised within cell A6 in Table 7b.

Once the governmental demands change, public agencies also need to adjust their strategies

A top executive

[OCSC] certainly has to observe the government policy and adjust its strategy. The Deputy PM, who chairs the CSC, will give the policy to the CSC. It affects us, because we work as the secretariat to the CSC. When the Deputy PM gives direction to the CSC, it will cause adjustment to our strategy.

A supervisor

Despite many factors mentioned as the causes of strategic changes, the informants noted that OCSC strategies lasted, on average, for two to five years. However, amendments were normally made to the existing strategies from time to time.

Performance measurement

The discussion regarding performance measurement for this OCSC case as well as for the following three cases (i.e. OAG, BB, and ONCCC) is based on the structure of the definitions of key terms identified in section 2.2.4. The purpose is to distinguish the case sites in terms of their performance measures, performance measurement system, and performance measurement.

Performance measures

The following table illustrates the OCSC formal performance indicators appearing in the budget documents.

Performance Dimensions	Performance Indicators
1. Public sector structure and personnel management	• Number of dimensions of structure and personnel management
2. Controlling and overseeing of Thai students abroad	• Number of students overseen by the offices of educational affairs
3. Public sector manpower planning	• Number of personnel prepared for public sector
4. Development of the Management by Objective (MBO) system in public agencies	• Number of agencies having developed MBO system
5. Public agencies' service standards	• Number of agencies being PSO certified ²
6. Legislation, regulations, Cabinet's resolutions and other measures related to public sector reform	• Number of proposals approved by the Cabinet and used by public agencies
7. Development of new personnel management system	• Number of agencies having new personnel management system
8. Ethical, values and cultural standards in public sector management	• Number of agencies having standards charter
9. Promotions of cultural and values changes in public sector	• Number of civil servants participated in ethical promotion programmes
10. Development of systems disciplinary, complaints and grievance proceedings	• Percentage of progress in the systems development

Table 8b: OCSC Formally Stated Performance Indicators
(Source: Bureau of the Budget, 2002: 108)

From the table above, it can be seen that all the indicators were the output measures without the indicators capable of informing the objectives achievement. There was sole emphasis on output measurement, despite the recognition among officials that the achievement of objectives should also be measured. The following quotes provide examples of the supporting interview data categorised in cell B6 in Table 7b.

We normally consider the production of outputs as achievement ...
Actually, we should focus on the objectives or outcomes instead.

A middle manager

² PSO (Thailand International Public Sector Standard Management System and Outcomes) is an ISO-typed standardisation for public sector management.

There should not only be measurement of what has been done; there should be a comparison in terms of the objectives accomplished as well.

A non-management official

Performance measurement system

The use of performance measurement system was regarded as new to the OCSC and other Thai public agencies alike. Prior to the adoption of strategic management, the OCSC used the system mainly for resource control and personnel management purposes. Measurement of the organisational performance was not evident.

However, since there had been more demand (mainly political) for better public sector performance, the OCSC had placed greater emphasis on performance measurement practice. The following Prime Ministerial radio address highlighted the demand for better public sector performance and performance measurement.

Officials at the operational level and administrators must first clearly establish the outputs and outcomes before requesting a budget for a project. The new 'result-based' system would lead to adjustments in the working culture, and government procedures would become shorter, bringing about greater flexibility and faster services for the people

Source: <http://www.prd.go.th/ebook/story.php?idmag=19&idstory=123>

Even though the OCSC had formally developed a performance measurement system, the use of measurement was still rare. Many informants noted that it was not uncommon not to have performance indicators. At best, it seemed enough merely to have them in place.

In reality, the organisational performance was hardly measured. This was evidenced by the following interview data from cell B1, Table 7b.

I can say quite categorically that we do not have [performance] indicators. Our work is so much routinised that we've never thought about measuring our performance.

A supervisor

Performance measures merely exist; they are not really in use. But we still have to have them because it is the regulations, e.g. for the budget request.

A non-management official

Performance measures were used mainly to monitor the working process of output productions to plan. This point was highlighted, for example, by the next two quotes classified within cell B6 in Table 7b.

Outputs or outcomes of my work are to have the outputs done ... what more do I need? It is the routine, so we don't have to set performance indicators. If we did, it would be dead boring tautology.

A supervisor

Despite the fact that the indicators were stated in budget proposal documents, they were not, in practice, used. It was the following up of working process, not the evaluating of performance. That is, if we did this piece of work, we would monitor its progress to see what the finished outputs were so far ... but would not check to see if the objectives were achieved.

A non-management official

Performance measurement

The purposes of performance measurement were mentioned variously, as appeared in the following example interview quotes categorised into cell B6 in Table 7b, including:

- Internal report (*We follow-up weekly performance. Staff needs to report to the management the progress of work each week—a top executive.*)
- External report (*The government requires public agencies to report working results biannually—a top executive.*)
- Performance improvement (*Results from performance measurement let us know where the problems are so that we can fix them—a supervisor.*)
- Personnel management (*Results from performance appraisal determine the promotions of officials and tasks assignment—a middle manager.*)
- Budget request (*To request for a budget, we need to identify the quantitative measures of our performance—a middle manager.*)

- Financial rewards (*Because performance measurement has just recently been used the government gives financial incentives for public agencies to use performance measurement—A non-management official.*)
- Informing of intermediate success (*It takes several years to realise our vision There need to be measures for intermediate success—a non-management official.*)

The informants noted several advantages of performance measurement (cell B4, Table 7b), for example, that it:

- Helps clarify the objectives because there must be an agreement over what are to be used as performance indicators. (*Measuring performance may help in clarifying objectives because public agencies need to understand thoroughly the objectives before they can be measured—a non-management official.*)
- Makes the evaluation of success less subject to personal judgement. (*In order to say that the objectives are reached, there should not be just sayings or feelings. Thought must be put into how to measure if the objectives have really been reached—a middle manager.*)
- Makes clear the contribution of individuals and sub-units in achieving the overall organisational objectives. (*It will show how individual performance will influence organisational performance—a top executive.*)
- Promotes cooperation among individuals and sub-units within the organisation, in the cases where they have overlapped responsibility. (*It helps different units understand each other because sometimes, there is more than one unit responsible for an indicator—a supervisor.*)

- Enables the organisation to learn from past experiences. (*It enables the organisations continuously to learn and improve themselves—a supervisor.*)

In the main, performance measurement was used as a management tool to help managers conduct their managerial jobs. Performance data inform the managers of OCSC performance, and also indicate areas for improvement.

However, disadvantages of performance measurement were also noted (cell B4, Table 7b). These disadvantages included the following:

- Measuring performance was a resource-consuming activity requiring much attention from already-busy managers. (*It would be difficult to find times to measure performance because we are so preoccupied with our work—a supervisor.*)
- Standardised measures that were sometimes imposed were not suitable for public agencies. (*Sometimes the Bureau of the Budget imposed public agency indicators. It can do so because it's powerful. If the management teams of those agencies are not good at negotiation, they will be in trouble—a supervisor.*)
- Measures were used inappropriately. (*If the unspent budget was seen as representing inefficiency, when approaching the end of the fiscal year, public agencies would spend hurriedly without considering a thing—a top executive.*)
- Performance measurement could be subject to the management's manipulation. [*Some managers*] *set the target intentionally too low, so that it'd appear that they were doing excellent work—a supervisor.*)

Since performance measurement can be either advantageous or disadvantageous, management should weigh the benefits the organisation might gain from the measurement with the undesirable consequences of the measurement. A top executive summarised that,

Performance measurement has both pros and cons. Therefore, we must consider its worthiness after the trade-off.

Alignment between performance measurement and strategy

The informants recognised that measuring performance on the basis of strategy provided feedback on the way the OCSC was working towards its strategic objectives. Therefore, performance measurement should be aligned with, and supportive of, the organisation's strategy. The following supporting interview quote was categorised within cell C1, Table 7b.

Performance measurement, if not aligned with strategy, would be completely chaotic.

A top executive

The alignment was assumed to occur naturally through the planning process, beginning with the overall strategy, followed by plans and activities. Informants saw that if activities derived from the strategy were measured, the measures used would always align with the organisational strategy. The next interview excerpt taken from cell C2 in Table 7b highlights this point.

[Performance] measures are supportive of strategy for sure because the two are aligned naturally, due to the cascading nature [of the planning process].

A supervisor

In other words, since the alignment was believed to exist automatically through the planning process, there was no need to check if the measures were aligned with strategy.

8.3 The Office of the Auditor General

Case-Site Descriptions and Analysis

In this section, the OAG case-site descriptions will be provided and the results from the OAG case-site analyses will be discussed.

8.3.1 OAG case-site descriptions

Historical perspective

The first enactment known in the history of Thailand on the audit and control of public finance dates back to the year 1875, when the Royal Audit Office, created by Royal Decree, was proclaimed, with independent power and responsibility over the control of public finance. The Royal Audit Office was responsible only to the then Absolute Monarch.

Soon after the change from the Absolute Monarch to the parliamentary system took place in 1932, the Audit Council Act B.E.2476 was enacted.³ This Act established the Audit Council of Thailand as the government agency responsible for auditing government accounts, under the direction of its President. The Audit Council was considered a body fully independent of other executive authority, and solely responsible for setting its own direction and scope of audit without interference.

To revise the law on the Audit Council, the State Audit Act B.E.2522 was enacted. The Act made several changes, including the change of the title of the office to the Office of the Auditor General (OAG). The head of the organisation also changed his title from the President to the Auditor-General. More importantly, the Act authorised the OAG to extend its scope beyond financial audits to assessment of economy, efficiency and effectiveness of the audited agencies.

Currently, the OAG organisation structure, duties and competences are set out in specific acts, of which the State Audit Act B.E.2542 is central. In this latest Act, three major parts of the organisation are specified: the State Audit Commission, the Auditor-General, and the Office of the Auditor General (article 6, 26, and 38 respectively).

³ In Thailand, Buddhist Era (B.E.) is the official calendar system. To convert B.E. to Anno Domini (A.D.), 543 should be deducted from B.E. (e.g. B.E.2476 is 1933 A.D.).

Political dependency

The Constitution of the Kingdom of Thailand B.E.2540 provides, in section 312, chapter XI, that

The State Audit shall be carried out by the State Audit Commission and the Auditor-General, who is independent and impartial.

The OAG can thus be regarded as an independent public agency not subject to political supervision, at least, in theory.

The State Audit Commission

The State Audit Commission consists of the Chairman and nine other members appointed by the King with the advice of the Senate, from persons with expertise and experience in state audit, internal audit, finance and other fields. Members of the State Audit Commission will hold office for a term of six years from the date of their appointment by the King, and will serve for only one term.

Duties and responsibilities

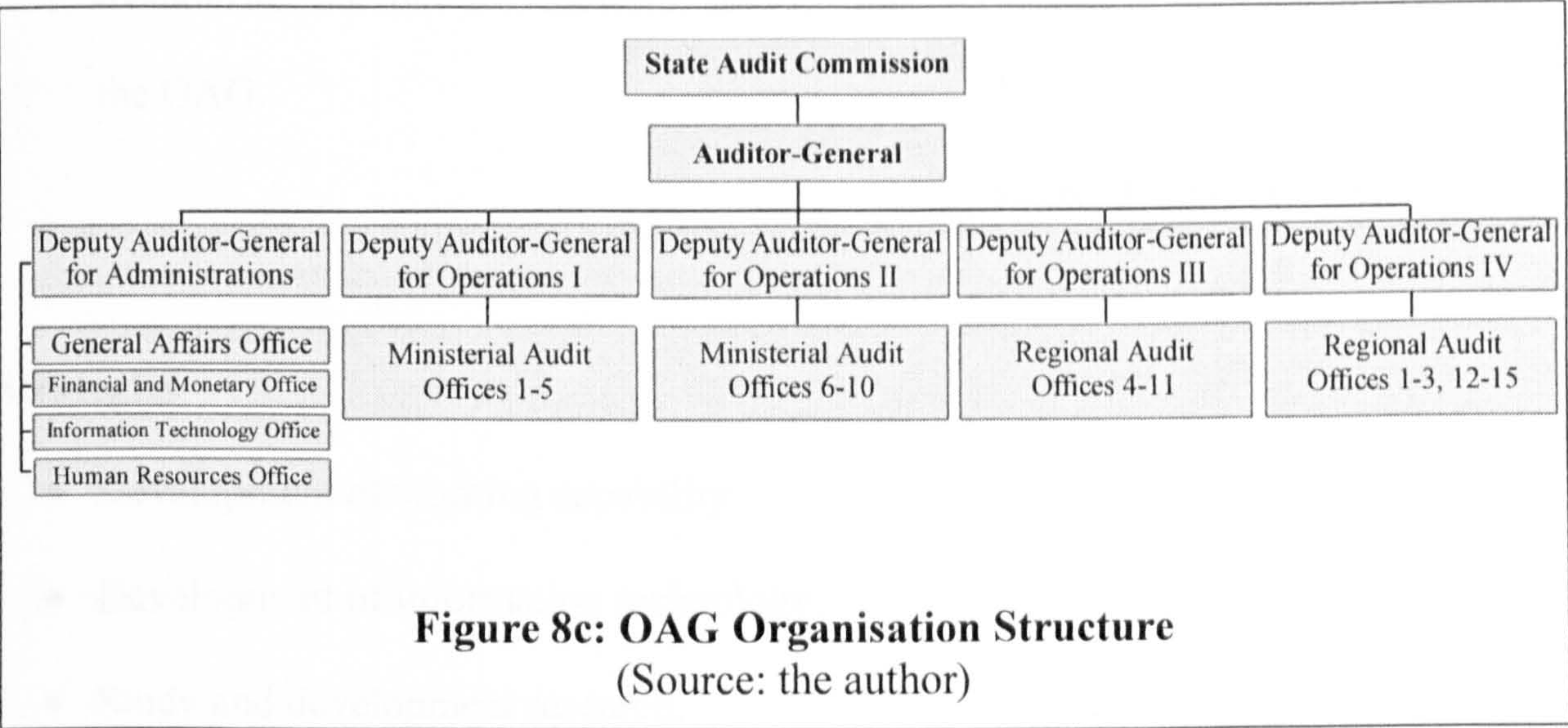
The OAG duties and responsibilities—as stated in section 7 of the State Audit Act B.E. 2542—are to:

- Audit the statement on receipts and payments of the audited agencies.
- Audit the currency reserve account.
- Audit the custody and disbursement of money and use of other properties belonging to or being the responsibility of the audited agencies.
- Examine in connection with the collection of taxes, fees and other incomes of the audited agencies.

Organisation structure

The OAG is the independent secretariat to the State Audit Commission, with the Auditor-General as the superior responsible directly to the Chairman of the State Audit Commission. The King will appoint the Auditor-General with the advice of the Senate.

There are five Deputy Auditors-General. One of these is the Deputy Auditor-General for administration, the others being responsible for operations. The auditing operations are divided into two groups, namely, the ministerial and the regional (provincial) audits. There are ten ministerial and fifteen regional auditing offices. Figure 8c illustrates the OAG organisation structure.



Vision

The Office of the Auditor General shall be an independent and impartial agency. The auditing results of the Office shall be credible and beneficial for the Parliament, the Government, related organisations, and citizens.

Source: Bureau of the Budget (2002: 117)

Missions

- Administrative work for the State Audit Commission.
- General Audit
 - Financial audits including receipts and payments, the custody and disbursement of money and other assets, tax collection, fees and other incomes.
 - Performance audits for disbursement of money and other assets.
- Reporting annual performance of the OAG to the Parliament, the Senate and the Cabinet.

- Monitoring the audited agencies' performance according to the recommendations by the OAG.

Source: Bureau of the Budget (2002: 117)

Strategies

- Development of working capability.
- Development of information technology.
- Study and development research.
- Promotion of morality.

Source: Bureau of the Budget (2002: 117)

Objectives

- Eighty per cent of the audited agencies will be able to improve internal control and performance evaluation systems by the year 2007.
- Sixty per cent of the users of the OAG reports will be satisfied with the OAG performance by the year 2007.

Source: Bureau of the Budget (2002: 118)

8.3.2 OAG case-site analysis

The interviews with six OAG officials were carried out during April 25th – June 9th 2003. The informants were one top executive, two middle managers, two supervisors and a non-management official. On average, the informants had worked for the OAG and had been in

their current positions for 27.17 and 5.83 years respectively. The transcripts of the OAG interviews comprise of 48,010 words in Thai.

Strategy

Meaning, purposes and functions of strategy

Generally, the OAG officials understood that strategy indicates broadly the direction of the organisation into the long-term future. Strategy refers to ‘*how*’ the OAG is going to work, in order to accomplish its objectives. It helps various sub-units know the directions in which the overall organisation is heading.

However, different views towards strategy were identified. For example, the distinction between strategy and policy was not clear to the OAG. An informant who regarded both terms as identical stated,

I understand that strategy is the [OAG] auditing policy.

A middle manager

Another noted that the two were different.

Strategy is what we do, but policy is a broad framework that guides our actions ... policy is above strategy. Policy is broader.

A supervisor

The preceding two quotes are examples of the interview data classified within cell A1, Table 7b.

Compliance with strategy

Once the policy/strategy has been established, operating plans are made accordingly. Normally, the plans comprise of activities to be done (e.g. what type of auditing will be done). Therefore, once the plans have been accepted, it is then assumed that carrying out the activities as stated in the plans will be in compliance with the strategy. The two following interview excerpts represents data classified within cell A4 in Table 7b.

We prepare the annual operating plans ourselves in compliance with the strategic plans.

A supervisor

[OAG] sets the policy, then each office will prepare its annual auditing plans following that policy ... operating staff at the divisional levels within each office are to work upon the office's plans. These will help to create the office's overall picture.

A supervisor

According to the informants, any activities would, presumably, comply with the strategy because they were components of plans derived from the strategy.

Changes in strategy

Several factors were mentioned as influential to the OAG strategy, including political influences, past auditing experiences, rules and regulations, a number of groups of stakeholders in the society, IT facilities and available resources. Therefore, changes in these factors would be likely to result in changes in the OAG strategy.

A non-management official gave an example (cell A6, Table 7b) of changes in strategy,

Formerly, the strategy stressed the suppression of misconduct, for example, when a fraud was caught, the prosecution was then arranged. Now, the strategy emphasises prevention more.

A non-management official

Nevertheless, the changes in the OAG strategy were perceived as not frequent, as noted by a supervisor, *the strategy does not change often. The amended versions will resemble the old ones.*

Performance measurement

Performance measures

It is a requirement that the OAG prepare documents in support of its proposal for its annual budget. In these documents, performance indicators for the OAG were stated formally as appearing in the following table.

Performance Dimensions	Performance Indicators
1. Financial Audit	<ul style="list-style-type: none"> • Number of audited units • Number of financial statements audited
2. Procurement Audit and Investigation Audit	<ul style="list-style-type: none"> • Number of procurement contracts audited • Number of investigations audited
3. Operations audit and others	<ul style="list-style-type: none"> • Number of operations audit cases audited • Number of income-collecting units audited • Number of disbursement of money and assets audit cases audited • Number of studies programmes conducted

Table 8c: OAG Formally Stated Performance Indicators
(Source: Bureau of the Budget, 2002: 118)

The documentation data in the table above shows that the existing performance measures focused exclusively on the working outputs to plan, and had no reference to long-term objectives.

Performance measurement system

Performance measurement system was regarded as important and as the focus of more attention both in the OAG and in general public management in the Thai administration. However, for the OAG, the system appeared to be inadequate. Measures within the system most frequently mentioned were input or output measures attached to the activity plans. This was evidenced by the following interview data fell into cell B6, Table 7b.

...finish the job on time, do not overspend, and deliver outputs as proposed in the plan were considered satisfactory.

A top executive

Performance indicators of the auditing offices are whether they can finish the auditing jobs according to the number planned.

A supervisor

The measurement system tended to focus almost solely on short-term results (e.g. activities, inputs and outputs), while the longer-term performance (e.g. strategic objectives and outcomes) were assumed and overlooked. It was believed that by working as planned, the organisation objectives eventually would be achieved. Measuring the accomplishment of activities to plan was considered to be the means by which management could be informed of many aspects of the OAG performance, including the accomplishment of objectives, efficiency and effectiveness. The following examples of the interview data categorised into cell B6 in Table 7b highlighted this point.

We can know that we are working efficiently if we can finish the jobs according to the number planned and on time.

A middle manager

Whether the objectives were achieved or not can be seen from the work results. For example, we compare the target number of agencies to be audited with number of cases finished.

A supervisor

Effectiveness can be seen in the outputs produced, for example, by comparing what were planned with the number of contracts audited. Even though there is no indicator of efficiency, we know if we were doing OK.

A supervisor

Performance measurement

The OAG appeared to measure performance both for external and internal purposes. On the one hand, the external purposes were mainly to satisfy the external requirements for the OAG auditing report. Two major sources of external requirements were identified (cell D4, Table 7b) by the informants, including the Bureau of the Budget and the Parliament, as shown below, for example.

In the past, there were no clearly specified indicators. Recently, the BB has been designated, whereby [public agencies] must have performance indicators in place.

A supervisor

According to the State Audit Act, we have to report to the Parliament.

A supervisor

On the other hand, the internal measurements were often for the purposes of internal report and control, and for providing data, in order to make an adjustment in the operating plans. The following two interview quotes represent examples of data categorised into cell D1 and D2 in Table 7b, respectively.

At the end of each month, there would be a summary of used 'man/days' and how much was left. Each office would key their data into the system so that the executives would be able to check the current performances.

A supervisor

The control of 'man/days' showed us the work in progress. Even though they are yet to be finished, we are able to know the quantity of resources we have used in comparison to the plan. Then we can spot the problems and consult with the officials who are responsible ... If appropriate, we can reallocate resources.

A supervisor

It appeared that many OAG officials regarded the extensive use of 'man/days' as an important control mechanism.

Performance measurement was almost always regarded as being advantageous. Performance data helps management to know if they are working to plan and complying with rules and regulations. Performance data can also help to identify problems which might lead to appropriate adjustments. For example, the data helps to adjust plans, set standards for future performance and allocate better organisational resources. Moreover, performance data can also be used to inform different stakeholder groups of the accountability of the OAG to them.

However, a few disadvantages of the measurement were also mentioned. These disadvantages and examples of supporting interview data—classified within cell B4, Table 7b—are provided as follows:

- Inappropriately set measures are not useful (*Objectives change every year but without corresponding changes in performance measures. This might result in that performance data becoming irrelevant—a middle manager.*)
- Measurement manipulation lessens the usefulness of performance data (*Sometimes, there were so many difficulties in one way or another, that we would state the indicators vaguely—a supervisor.*)
- Imposed measures are not compatible with the agency's need (*I am worried that the government needs the OAG to measure performance based on cost accounting principles. By nature, OAG work cannot be assessed like that—a middle manager.*)

Moreover, a middle manager noted that the management might be misled by inappropriate measurement. For this manager, it seemed that the ultimate achievement was to work as planned, and the only way of improving performance was to try to catch up with the plan. The manager asserted—as categorized within cell E2, Table 7b—that:

What do you mean by improvement? I don't understand. I think I keep improving my work but still am behind the plan ... Do you think it's so so, even if I could work as planned? ... I believe that performance indicators need not be changed often because we can always tell the success as planned.

In general, the disadvantages were the results of the misuse of performance measurement.

Alignment between performance measurement and strategy

It appeared that the OAG informants had a vague notion of the alignment between performance measurement and strategy. While most informants claimed that the alignment was of virtue, they could not make clear what benefits the alignment could bring. However, at least two issues regarding the alignment were agreed upon among the informants.

Firstly, it was commonly assumed that performance measurement—by its nature—was naturally aligned with strategy. That is because almost all measures used were the measures of activities/outputs to plan which, in turn, were derived from the OAG policy/strategy. Therefore, the measuring of activities/outputs stated in the plan would, at least indirectly relate to the strategy. In this way, most informants assumed that the measurement of any activities/outputs (as long as they were planned) would automatically align with the organisation's strategy.

This assumption about the natural alignment was reflected in the following interview data assigned to cell C2 in Table 7b.

We measure the number of operations auditing jobs we finish. Doing this one by one will gradually increase the efficiency of how the whole public sector spends (N.B. which is an OAG's strategic objective).

A supervisor

Secondly, it was claimed that since the long-term objectives and activities hardly change, while policy/strategy is subject to more frequent changes, one way to maintain the alignment is to set the measures ambiguously. This point was supported by the following excerpt categorised into cell B5 in Table 7b.

Sometimes, there are so many difficulties in one way or another, that we state the indicators vaguely.

A supervisor

By conducting performance measurement in this manner, the OAG was able to maintain to a certain degree the alignment between performance measurement and strategy almost without worrying about strategy changes.

8.4 The Bureau of the Budget

Case-Site Descriptions and Analysis

In this section, the BB case-site descriptions will be provided and the results from the BB case-site analyses will be discussed.

8.4.1 BB case-site descriptions

Historical perspective

Thailand's budgetary process has a long history, dating back to the time when the country still had an Absolute Monarch system. However, the modern history of the BB can be divided into four main periods.

During its first period, between 1926 and 1932, before the change from the Absolute Monarch to the Parliamentary system, the assignment of public fiscal budget belonged to the Budget Division, a division among six others in the General's Department within the Ministry of Finance.

After the change in 1932, the Budget Division at the time, although overseeing the annual fiscal budget procedure, had the primary tasks simply of collecting the Ministries'/ Departments' annual budget proposals and controlling budget spending by government agencies and state enterprises in compliance with the law.

However, as the whole public sector grew, so did the Budget Division, many sub-divisions/ sections being added into the Budget Division as well as the additional personnel being recruited. Therefore, in its third period, around 1958, the Budget Division was upgraded to the Budget Bureau, although remaining under the General's Department, Ministry of Finance.

Subsequently, in the same year, the coup d'état took place. The military government's Finance and Budget Commission, regarding the importance of the country's budgeting process as a vital governmental tool in the public administration and development, separated the budget preparation from public income acquisition and expenditure. On February 14th 1959, the Budget Bureau was then upgraded to the Bureau of the Budget (BB), an organisation equivalent to a Department under the Office of the Prime Minister. The status of the BB has not been changed since then.

Political dependency

The BB is a government agency under the Office of the Prime Minister, headed by a Director and directly accountable to the Prime Minister. The status of the BB Director is equivalent to the Director-General of a Ministry's Department.

Board of commissioners

The BB does not have a board of commissioners.

Duties and responsibilities

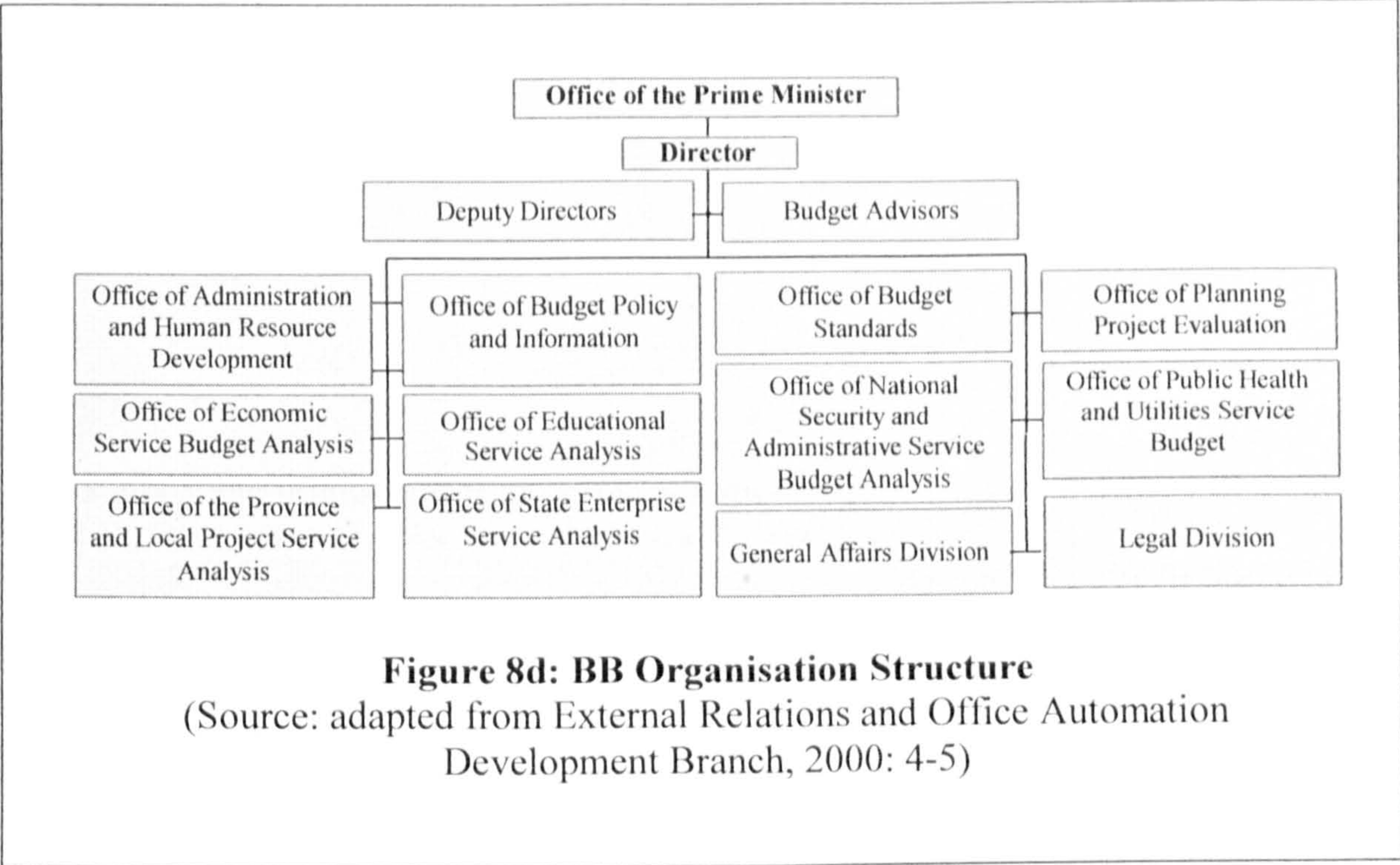
The Bureau of the Budget's duties and responsibilities include:

- Developing proposals on budget policies and plans
- Preparing and recommending the national annual budget
- Monitoring and evaluating governmental agencies' programmes and projects
- Making recommendations on financial and budgetary matters as requested by the Cabinet
- Researching and analysing activities of government departments and state enterprises, in order to make improvement recommendations
- Studying ways of improving the quality and compilation of financial data decrees, rules or regulations relating to budget matters
- Making recommendations on more effective coordination of work programmes, so as to eliminate any duplication of functions
- Organising in-service training both for the BB personnel and for personnel of other Ministries and state enterprises

Source: External Relations and Office Automation Development Branch, 2000

Organisation structure

The functions of the BB are practically divided into three areas: technical analysis, budget analysis and administration. The BB organisation structure is illustrated in the following figure 8d.



Vision

The Bureau of the Budget shall allocate budgets in the ways that are most beneficial to the country and citizens. The allocation shall be transparent, equitable and justifiable by the Bureau emphasising on the facilitating, rather than the approving of the budget allocation.

Source: Bureau of the Budget (2002: 79)

Missions

- Prepare and manage the budget in response to the government policies and the National Economic and Social Development Plans by emphasising the efficient and effective use of the resources and budgetary discipline.
- Recommend and give opinions to the government and public agencies regarding budgeting by emphasising the benefits to the country and citizens.

- Develop a performance-based budgeting system to facilitate the use of the country's budget to achieve both outputs and outcomes in a responsible, streamlined and transparent manner.

Source: Bureau of the Budget (2002: 79)

Strategy

- Support the improvement of public administration.

Source: Bureau of the Budget (2002: 79)

Objectives

- Public agencies are allocated budget with equitability, and are able to implement according to government strategies and policies.
- Budget disbursements are in congruence with objectives and goals stated in operating plans.
- Public agencies are able to use advice or consultations to guide their conduct in accordance with legislation.
- Results from performance follow-ups and evaluations are used in budget allocating considerations.
- Public agencies understand and act in compliance with the performance-based budgeting principle.
- Public agencies have structure and operating systems that are right and compatible with their tasks.
- Public agencies are able to bring knowledge on budgeting to improve their work.

Source: Bureau of the Budget (2002: 79)

8.4.2 BB case-site analysis

The interviews with six BB officials were carried out during the period May 20th – June 23rd 2003. The informants were one top executive, two middle managers, two supervisors, and one non-management official. On average, the informants had worked for the BB and had been in their current positions for 25.5 and 4.65 years respectively. The transcripts of the BB interviews comprise of 56,506 words in Thai.

Strategy

Meaning, purposes and functions of strategy

There seemed to be confusion in the ways BB officials interpreted the meaning of strategy. While some informants regarded strategy as the same as policy, others saw it as different. The following two interview statements classified within cell A2 in Table 7b highlight these conflicting views of the similarities/differences between strategy and policy. While the first statement highlights the similarities of the two, the second underlines the differences.

In my opinion, government strategy or government policy are different terms for the same thing.

A middle manager

Policy identifies what to do. Strategy tells how to do, the time and money to spend, and the means of doing so.

A top executive

Despite some informants regarding strategy as different from policy, the two terms were frequently used interchangeably.

However, whether they regarded the terms as identical, similar or different, almost all informants recognised the need for BB policy/strategy to comply with that of the government. The next two statements, categorised within cell D4 Table 7b, emphasise the governmental influences on the BB policy/strategy.

BB takes policy from the government and prepares the budgeting policy according to the government policy.

A top executive

[BB] should consider the government strategy, then look at how its missions fit with that strategy.

A middle manager

For the BB, in addition to organisational strategy, there is another strategy i.e. *budgeting strategy*. While the BB organisational strategy is mainly concerned with how the BB sets about achieving its objectives, the budgeting strategy is specifically concerned with the

way in which the BB allocates the country's public budget in accordance with the government's policy/strategy.

Compliance with strategy

The BB officials at different organisational levels claimed that they could see how their work linked overall to that of the BB. The following three interview excerpts categorised in cell B6 in Table 7b highlight this point.

Outputs were set straight down from the BB strategy. We can tell what outputs we are going to deliver to fulfil the strategy.

A middle manager

If each office does the jobs it is supposed to, eventually, it will support the overall strategy ... I always ensure the position of my office's jobs within the whole organisational picture.

A middle manager

[My division] prepared a blueprint illustrating the whole process of the BB. This allows me to see what my division needs to do. I take this blueprint as the principle of my work.

A supervisor

However, the linkages through hierarchy do not necessarily mean that the activities at the sub-units support the organisation strategy. A middle manager noted that the typically clear

linkages of activities throughout public agencies did not always indicate that activities were supportive of the organisation strategy. This manager's comment was classified into cell D5 in Table 7b.

We need to accept that what happened in reality was that operating plans were made bottom-up. Because public organisations are structured according to duties and responsibilities, it is obvious what each sub-unit needs to do.

A middle manager

Therefore, despite having perceived clear linkages of the activities throughout the BB hierarchy, there was no evidence from the officials that these activities were, in fact, in compliance with strategy.

Changes in strategy

It was claimed that changes in strategy were likely to result from many factors, including changes in budgeting principles, government policy, management, missions and organisation structure. However, changes in strategy were caused more often by government mandate, changed budgeting principles and the emergence of new missions. The following excerpts categorised within cell F1 in Table 7b highlight causes of BB strategy change.

[The previous government] initiated results-based budgeting. The present government added that budgeting should also follow government policy/strategy. The BB thus integrated these.

A top executive

We, then, have to be well aware of the directions of the government policy so that we can serve the government well.

A middle manager

Some agencies might be assigned more missions, such as when the government says what more is to be done or which missions are to be changed. For example, an agency which used to emphasise the use of law enforcement may change to public relations.

A supervisor

However, the frequency of changes was difficult to identify because the BB had recently adopted strategic management. As noted by a top executive, *the strategy-based management has just become material [in this government's time].*

Performance measurement

Performance measures

The following table illustrates examples of the Bureau of the Budget’s formal performance indicators.

Performance Dimensions	Performance Indicators
1. Budget allocation	• Number of Ministries budget allocation
2. Budget management	• Number of works/projects budget allocation
3. Consultations on budgeting	• Number of consultations given
4. Performance follow-up and evaluation	• Number of subjects/plans followed-up and evaluated
5. Budgeting system improvement	• Number of Ministries having improved budgeting system
6. Structure and operating systems improvement	• Number of services given
7. Budgeting personnel training	• Number of personnel trained

Table 8d: BB Formally Stated Performance Indicators
(Source: Bureau of the Budget, 2002: 80)

From the above table, it can be seen that all the indicators were output measures.

Performance measurement system

The formal performance measurement system in the BB had just recently been implemented and at the time of the study, was not fully in use—the point noted by the following interview data fell into cell B6 in Table 7b.

We have recently formulated performance indicators - in 2003.

A middle manager

The articulating of outputs or indicators began only in 2003. Before that, we did not use the word 'outputs,' but the indicators were similar, i.e. they measured the number of jobs done.

A supervisor

The BB began only this year - 2003 [to formally set up outputs or indicators]. ... errors can be seen in the documents. The measurement system is not working yet.

A supervisor

The use of the system was lower than it should be (cell B1 in Table 7b).

Frankly speaking, we do not evaluate ourselves in the overall picture.

A top executive

We can't know about work efficiency.

A middle manager

We hardly measure our work performance. We never talk about what the outputs are. It is not measuring performance, we have to admit.

A supervisor

A unique characteristic of the BB is that it can participate in other public agencies' performance measurement system formulation. Public agencies, in order to request for

annual budgets, need to specify what outputs the requested money will be used to produce as well as the indicators to show if these outputs are, indeed, produced. These data are then submitted in specifically formatted forms to the BB—who works as the government’s budget allocator—to prepare the ‘*budget document*’ passed to the Parliament for scrutiny. Therefore, the BB can be considered as influencing the formulation of performance measurement system in public agencies. Many BB informants recognised the uniqueness of the BB’s role in this respect by stating that:

[BB] goes out to help other agencies decide what their indicators should be.

A middle manager

In the budget document, [BB] specified that public agencies should measure four dimensions of their outputs, including quantity, quality, timeliness and cost.

A supervisor

The preceding excerpts are examples of the interview data categorised within cell G1, Table 7b.

Performance measurement

The BB measured performance for at least two purposes, including for control/report and for improvement.

The BB, as well as other public agencies, is required to prepare its performance report and submit it to inspectorate bodies (e.g. BB is required to report quarterly to the Cabinet). In doing that, the BB and other public agencies must complete the official forms (i.e. Form BB46-1 for regular work, BB46-2 for projects, BB46-3 for overall agency and BB46-4 for procurements) issued by the BB, which should then be submitted to the appropriate inspectorate bodies.

In addition, the measurement results could help to improve future performance by assisting management to identify areas for improvement. However, as a central budgeting body of the Thai government, the BB officials noted that in reality, public agencies' performance measurement results did not have much effect on the amount of money those agencies received because the allocated budgets were expected to be commensurate with the amount of work undertaken by them, not their performance.

Moreover, the purpose of reporting performance was more to control the money budget allocated to, and in turn, spent by, the public agencies. These points raised appear in the following examples of interview data categorised into cell D2 in Table 7b.

The amount of money each agency will receive depends on the amount of its work. It doesn't matter if the agency measures its performance or not it is still eligible to get the same amount of money.

A middle manager

Cost and efficiency are the things we have never considered In the past, we did not care how public agencies spent; we did not look at the outcomes. We considered only controlling the money budget they received.

A supervisor

For the BB, there appeared to be several advantages of performance measurement, including the assistance it provides in: linking performance between different levels, improving performance, understanding success factors and enhancing organisational credibility. However, the advantage most frequently mentioned was that performance measurement helps officials to discern the linkages between sub-units and organisational performance as well as between organisational performance and governmental performance.

The informants hardly acknowledged any disadvantages of performance measurement. The only disadvantage identified was that the measurement could be resource-consuming.

Alignment between performance measurement and strategy

According to the informants, an important characteristic of performance measurement was that it should be flexible, so that it can be adapted to changing situations.

The general concept of the organisational alignment was widely accepted. That is, all plans and activities should be congruent with the overall long-term objectives of the organisation. However, there was less concern over whether performance measurement

was aligned with, and supportive of, the strategies. Performance measurement was regarded, instead, as aligning with actions or outputs, presumably leading to the long-term objectives.

Even though the informants regarded plans and activities as having to be derived from organisational objectives, in reality, the planning process was bottom-up and operations oriented. Therefore, strategy appeared to be disconnected from the operations because plans and activities were based on functional specialisation without the inclusiveness of the organisation's strategic perspectives. An official's comment categorised into cell D5 Table 7b highlights these points:

We need to accept that what happened in reality was that operating plans were made bottom-up. Because public organisations are structured according to duties and responsibilities, it is obvious what each sub-unit needs to do.

A middle manager

Evidence in table 8d earlier indicated that all performance indicators used were attached to the activities/outputs. No long-term measures of performance were used to assess the BB's long-term success. For example, despite the fact that the BB's stated strategy was to *support the improvement of public administration* (see section 8.4.1 earlier), there existed no indicators informing whether the BB achieved such a strategy. In other words, the existing indicators were highly unlikely to identify whether the BB's work results supported the improvement of public administration.

8.5 The Office of the National Counter Corruption Commission

Case-Site Descriptions and Analysis

In this section, the ONCCC case-site descriptions will be provided, and the results from the ONCCC case-site analyses will be discussed.

8.5.1 ONCCC case-site descriptions

Historical perspective

Resulting from the promulgation of the Counter Corruption Act B.E.2518, the Office of the Counter Corruption Commission (OCCC) was established to serve as secretariat to the Counter Corruption Commission (CCC). Although the CCC did not have much power to combat corruption because of limitations in jurisdiction, corruption prevention and public relations had, so far, been carried on.

Subsequent to the promulgation of the Constitution of the Kingdom of Thailand B.E.2540, the Organic Law on Counter Corruption Act B.E.2542 was launched. As a result, the CCC was upgraded to the National Counter Corruption Commission (NCCC), and the OCCC to the Office of the National Counter Corruption Commission (ONCCC). All undertakings, properties, rights, liabilities, government officials, employees and the budget belonging to the OCCC were transferred to the ONCCC.

The distinctions between the ONCCC and the OCCC are various; including that the ONCCC:

- is an independent organisation, while the CCC is under the Office of the Prime Minister.
- has power to inspect an account and inquire into criminal proceedings of the unusually wealthy cases.
- has power to inquire into cases to remove politicians from position (impeachment).
- has power to search, seize, detain documents, arrest and keep in custody the accused by court approval.
- refers the corruption file to the superior of the accused, in order to consider the disciplinary penalty for the offence without the appointment of the disciplinary inquiry committee again.

Political dependency

The Constitution of the Kingdom of Thailand B.E.2540 provides, in section 302, chapter X, that:

The National Counter Corruption Commission shall have an independent secretariat, with the Secretary-General of the National Counter Corruption Commission as the superior responsible directly to the President of the National Counter Corruption Commission

.
. .
.

The Office of the National Counter Corruption Commission shall have autonomy in personnel administration, budget and other activities, as provided by law.

The ONCCC can thus be regarded as independent of governmental supervision.

The National Counter Corruption Commission

The NCCC consists of the President and eight members appointed by the King with the advice of the Senate, from persons of apparent integrity with qualification. The ONCCC Secretary-General is an ex officio member acting as the secretary of the commission.

For the selection and election of members of the NCCC, the Select Committee was formed, consisting of fifteen members, namely:

- President of the Supreme Court of Justice
- President of the Constitutional Court
- President of the Supreme Administrative Court
- Rectors of all state higher education institutions, being elected among themselves to be seven in number
- Representatives of all political parties, having a member in the House of Representatives being elected among themselves to be five in number

Members of the commission hold the office for a term of nine years as from the date of their appointment, and can serve for only one term.

Duties and responsibilities

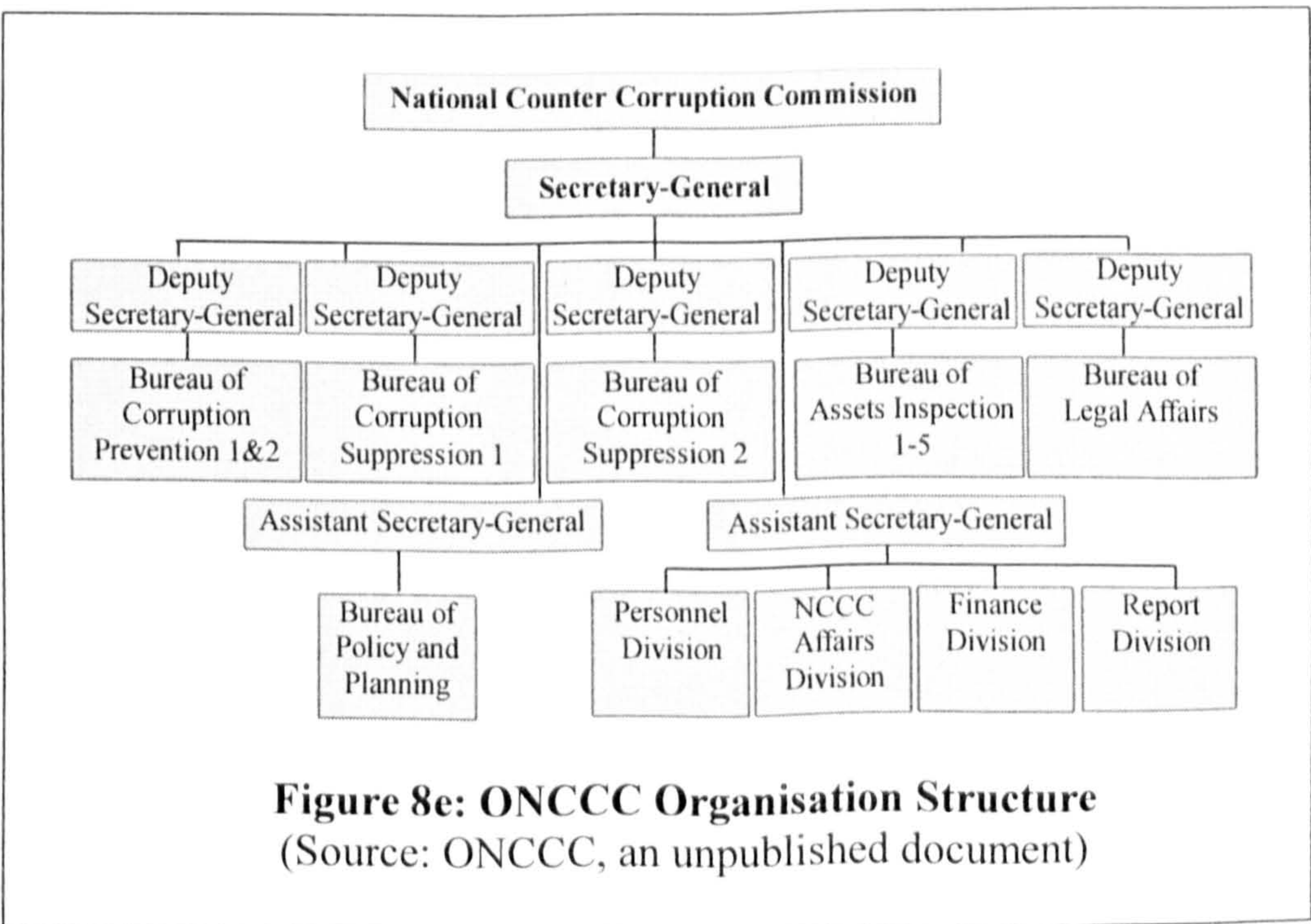
As the secretariat to the NCCC, the duties and responsibilities of the ONCCC are to:

- Carry on the administrative work of the NCCC
- Study and gather data related to the work of the NCCC
- Study and encourage the studies and research into corruption in the governmental and political circles, and to disseminate knowledge about this issue
- Perform other acts as entrusted by the NCCC

Organisation structure

The ONCCC is structured around the NCCC’s three main functional areas as well as its administrative function.

There are two bureaus responsible for corruption prevention, two bureaus for corruption suppression, five bureaus for assets inspection, and six bureaus (or equivalent) for administrative work. Figure 8e illustrates the ONCCC’s organisation structure.



Vision

The ONCCC is the principal organisation concerned with checking the accord of the standardised state authorities with the Constitution. The ONCCC shall carry out its missions with quality, neutrality and transparency, in order to create trust and to obtain cooperation from people in every sector against corruption, leading to the good governance of society.

Source: Bureau of the Budget (2002: 111)

Missions

- Develop corruption prevention, in order to gain trust, collaboration and cooperation.
- Develop corruption suppression that is effective, prompt, transparent and unprejudiced.
- Develop assets and liabilities inspections that are effective and expeditious.
- Systematically and continually develop organisational and personnel management that is of quality.

Source: Bureau of the Budget (2002: 111)

Strategy

Prevent and suppress corruption in both the civil service and politics

Source: Bureau of the Budget (2002: 111)

Objective

Prevent and suppress corruption.

Source: Bureau of the Budget (2002: 111)

8.5.2 ONCCC case-site analysis

The interviews with six ONCCC officials were carried out during the period May 30th – June 17th 2003. The informants were one top executive, three middle managers and two supervisors. On average, the informants had worked for the ONCCC and had held their current positions for 20.83 and 2.67 years respectively. The transcripts of the ONCCC interviews comprise of 54,603 words in Thai.

Strategy

Meaning, purposes and functions of strategy

The ONCCC informants interpreted variously the meanings, purposes and functions of strategy. Mostly, the strategy was regarded as comparable to policy. While some informants regarded strategy as similar to policy, others considered the two terms to be different.

In addition, some informants understood that strategy was equivalent to plan.

Strategy is the plan to accomplish the policy.

A middle manager

Others understood strategy as carrying on the duties specified by law.

The ONCCC has to follow the Act. It is comparable to strategy we need to do what the law states. It is actually the strategy.

A supervisor

The above two interview excerpts are examples of the data categorised into cell A3 in Table 7b.

Moreover, it was commonly agreed that strategy helps the ONCCC to coordinate itself and to form an organisational holistic view, the points highlighted by the following excerpts categorised into cell A2, Table 7b.

Strategic management is a psychological technique for promoting participation from people within the organisation It encourages people to feel responsible for the organisation overall, not just for their tasks at hand.

A top executive

Strategy is for us to plan all the mechanisms in the same direction

A middle manager

Compliance with strategy

It was claimed that regardless of how the strategy was stated, work still needed to comply with what the law stated. Most officials focused only on their jobs in hand. The next two examples of interview data, classified within cell D6 in Table 7b, highlight these points.

The work of public agencies is fixed all the time by laws Duties and responsibilities do not change. They still have to carry on what they are to do.

A middle manager

Like our [bureau], we are responsible for [the inspection of] ministers' and other political officials' accounts We know for sure that there will be no more than thirty-six ministers in the cabinet. Each of those has to submit their asset accounts to us three times. So we always know our workload and what we are to do.

A middle manager

Since the ONCCC work was always stated clearly by the laws, and since the ONCCC needed to comply with these laws, it was evident that strategy was likely to have little to do with the way in which the ONCCC operated. Moreover, some officials perceived that strategy was irrelevant to them, being relevant only to the staff directly responsible for the formulation of strategy *per se*. The following statement categorised within cell A6 highlights the point.

Issues regarding strategy were dealt with by the Bureau of Policy and Planning ... I don't know about [those issues]. You'd better go ask the director of that bureau.

A middle manager

At least for this manager, strategy appeared to be a working 'output' of the person/unit directly responsible for it. Since strategy was not the 'output' of this manager's bureau, the strategy was regarded as a minor matter to him.

Changes in strategy

Since the ONCCC strategy was linked closely to duties/responsibilities stated by law, it was considered that changes in strategy would be sporadic, providing that the laws were hardly changed.

However, since strategy also depended on how the NCCC and the ONCCC top management perceived the ONCCC environment and circumstances, strategy could also be changed when there were changes among the executives and/or circumstances. These points appear in the following examples of the interview data categorised into cell F1 in Table 7b.

If the commissioners changed, strategy might be changed.

A middle manager

The NCCC is the big boss. It can direct everything, including working plans, budget and targets. It is the board that controls all planning/policy aspects. The Secretary-General takes the board decision and communicates it to other staff.

A supervisor

It should be noted that the ONCCC had just had its first strategy stated very recently (at the time the ONCCC interviews took place, the strategy was just being disseminated). The informants’ opinions were not necessarily based on what had actually happened in the past, but rather, on their personal knowledge and anticipation of what the changes in strategy would be.

Performance measurement

Performance measures

Document data in the following table suggest that, for the ONCCC, the performance measures used were all output measures.

Performance Dimensions	Performance Indicators
1. Inspection of the declaration of assets and liabilities	• Number of accounts inspected
2. Production of media and public relations to promote attitudes, values for integrity and cooperation among citizens	• Number of public relations events organised
3. Investigations of the accusation cases and conduction of disciplinary and criminal proceedings	• Number of cases investigated

Table 8e: ONCCC Formally Stated Performance Indicators
(Source: Bureau of the Budget, 2002: 111)

Performance measurement system

Most informants agreed that measuring the ONCCC's objective (i.e. *to prevent and suppress corruption*) was difficult, if not totally unmeasurable. This was evidenced by the following interview data classified into cell B2 in Table 7b.

[Objectives] are unmeasurable. What are we going to use to measure them?

A middle manager

It's not possible to evaluate whether corruption has been reduced

A supervisor

Therefore, as many informants noted, the ONCCC measured its working outputs instead. The following interview extract—categorised within cell B6 in Table 7b—indicates the emphasis of the performance measurement system on the output measurement.

What is tangible are working outputs. Objectives and goals are abstract. They can be mentioned but not touched. At least, we must be able to show what we have done. Those abstract things are intrinsic to our work.

A supervisor

Even though it was widely accepted that measuring outputs did not indicate whether the organisation had achieved its objective, since the measuring of abstract objectives seemed

difficult, the ONCCC had to focus its performance measurement system on measuring work outputs.

Measuring how many inspections were carried out is not useful ... but we can only hope that what we have done will result in the achievement of the objectives wished for because the ultimate results are not measurable.

A supervisor

Performance measurement

Performance measurement was used to serve both internal and external needs. For the internal needs, performance measurement can help to monitor the progress of work, identify areas of improvement needed, and identify personnel development needs. Sub-units within the ONCCC needed to report regularly their performance to the Bureau of Policy and Planning, so that the executives would be able to monitor the overall performance of the organisation. Therefore, the main purpose of reporting performance within the organisation was to check whether the work had been progressing as planned.

However, a seemingly more necessary measurement purpose was for external reporting, i.e. reporting to the Parliament. Informants noted that perhaps the essence of reporting the ONCCC performance to the Parliament was that the report was considered as a requirement for the ONCCC to qualify for requested budgets. An example of the interview data categorised within cell B6 in Table 7b highlights this point as follows:

Results from the performance measurement were then reported to the Parliament to request money ... we need to inform [the Parliament] in concrete terms what we are going to use the money for.

A supervisor

Since a major criterion for the budget allocation was the quantification of outputs, the ONCCC was more likely to receive the money if more tangible performance indicators, i.e. working outputs (e.g. number of cases processed) were used, rather than amorphous and often debatable working outcomes (whether the processed cases lessened corruption).

Considering these ONCCC performance measurement purposes, some informants regarded the performance measurement as of little use—the point highlighted by the following interview excerpt categorised within cell B4 in Table 7b.

Performance measurement is less likely to help me manage my work because the managing of my work is to make sure that we can do as planned. Since the hierarchical control is already in place, performance measurement doesn't help much.

A supervisor

The advantages of having performance measurement were in line with the measurement purposes discussed earlier. The mentioned advantages of measuring performance included the help it provided in monitoring actual performance in comparison to what was planned.

The performance data indicated what improvements and adaptations were needed, thus helping management to better control their working performance.

The disadvantages of performance measurement included the difficult and costly nature of measurement. The following examples of interview extracts (categorised in cell B4, Table 7b) highlight these disadvantages.

...measuring quality or satisfaction is difficult ... both are time-consuming and expensive.

A middle manager

It is difficult to measure whether corruption has been reduced.

A supervisor

More interestingly, for some ONCCC officials, being formally measured may be perceived as a humiliation. The next interview statement classified within cell H2, Table 7b highlights this point.

To be measured and followed-up, some may regard as humiliating and shameful.

A supervisor

Alignment between performance measurement and strategy

Despite the majority of the ONCCC informants praising organisational alignment, misalignment was an obvious characteristic of the organisation. Policy/strategy disconnection was evidenced by the unchanged operating plans, even when there were changes in the policy/strategy. This meant that the policy/strategy given by the top management was not relevant to (or was disconnected from) the ONCCC operations. Officials and sub-units could still simply carry on working in the way they had been accustomed to either before or after policy/strategy changes.

It appeared that the ONCCC was structured for the purpose of task specialisation (e.g. accounts inspection or corruption investigation) and workload allocation (e.g. the Bureau of Corruption Suppression I undertakes half of the corruption suppression workload, while the Bureau of Corruption Suppression II undertakes the other half). Therefore, each sub-organisation seemed to focus on its own duties, rather than working for the overall objectives of the organisation. Suboptimised behaviour was found to be prevalent among sub-organisations.

In addition to the general perception that organisational alignment was of virtue, there existed virtually no perception of the alignment between performance measurement and strategy. Performance measures were not flexible or—to be exact—never changed. The same measures were used, regardless of how different circumstances had become. This was highlighted by a top executive's statement, categorised into cell B6 in Table 7b, that:

No matter how things have changed, we always use the number of cases finished compared with the plan as the performance indicator.

A top executive

Therefore, it was likely that the ONCCC performance measurement and strategy were detached. If strategy were interpreted as the '*working direction*', then for the ONCCC, performance measurement was neither aligned with, nor linked to the strategy, because regardless of the '*working direction*', performance measurement remained the same.

However, working targets specified in the plans were changeable to suit the changing policy/strategy. It can be seen, therefore, that even though performance measurement had never changed, working targets and plans could be changed to support the changed direction.

8.6 Summary

This chapter presented case descriptions and discussed results of in-case analyses for all four case sites: the Office of Civil Service Commission (OCSC), the Office of the Auditor General (OAG), the Bureau of the Budget (BB), and the Office of the National Counter Corruption Commission (ONCCC) respectively. The presentation of each case comprised of two main sections, namely, the case-site descriptions and the case-site analysis.

Firstly, in the case-site descriptions section for each case, the descriptions of the organisation case were provided, including the historical perspective, political dependency, board of commission (if any), duties and responsibilities, organisation structure, vision(s), mission(s), strategies and objectives.

Secondly, in the case-site analysis section for each case, discussions regarding the results from the analysis of data for each case were provided. There were three main topics in this section, including (1) strategy, (2) performance measurement, and (3) alignment between performance measurement and strategy.

The triangulation concept underlined both data collection and case selection for this research. Firstly, for data collection, interview data were triangulated by documentation. The interview data were obtained from four data sources including top executives, middle managers, lower managers, and non-management officials. The documentation was obtained from both materials generated by the case organisations as well as by other parties

outside the organisations. Secondly, for case selection, the replication logic and polar-typed logic were used to triangulate data across case-sites.

Research validity was enhanced through several quality-assurance measures including (1) the use of polar-typed logic, multiple sources of evidence, and pattern-matching to enhance internal validity, (2) the use of replication logic to enhance external validity, (3) the use of two prior research phases—in order to test research protocol before its application in the main third phase—was coupled with a review of the protocol to enhance construct validity, (4) the use of different interview questions to probe the same phenomenon during the individual interview sessions to increase content validity. Moreover, research reliability was also enhanced through the use of case study protocol and the development of case study database.

The discussions in the case-site analysis sections included essential, rather than all, issues analysed, owing to the word number limitation of this thesis. Results of the intra-case analysis for each case can be summarised, as follows:

OCSC case

The meaning of strategy was not clear for the OCSC officials. Strategy can have several purposes, but principally, it provides focus for the organisation. Even though all organisational activities and processes were expected to be in line with the strategy, aberrations were not uncommon. It was perceived that the OCSC formulated its strategy, in order to fulfil a requirement from the government, and the government was the single most influential factor in strategy changes.

Performance measurement appeared to be new to the OCSC. Traditionally, it was used chiefly for resource control and personnel management purposes, but not for measuring working results performance. At the time this research took place, performance measurement was used mainly to monitor working progress towards the plans. However, the use of measurement was considered rare. Almost all measures in use were output measures. Since performance measurement was regarded as having both advantages and disadvantages, it was necessary for managers to judge how to use the measurement, in order to enjoy the total benefits.

It was perceived that performance measurement should be aligned with strategy, in order to support the accomplishment of the organisation's strategic objectives. However, the alignment was assumed to occur naturally through the planning process.

OAG case

Here, it was not clear how strategy differed from policy, since both terms were seen as indicating the direction for the overall organisation into the future, and were used interchangeably. Since plans were supposed to be derived from policy/strategy, all activities stated in these plans were assumed to be in compliance with policy/strategy. Several factors were identified as influencing strategy, and changes in these factors would result in strategy changes. However, strategy changes were considered insignificant because the new strategy would resemble those that had existed previously.

Despite being regarded as important, performance measurement was considered to have been inadequately used. Measures in place were mostly input and output measures focusing on short-term results, whereas long-term outcomes were normally assumed as inevitable results of those short-term results. Performance measurement was used to serve both external and internal purposes. For external purposes, it was used chiefly to report to the inspectorate bodies (e.g. the Bureau of the Budget, and Parliament). For internal purposes, it was used to report to top management, to control and to be used for adjusting plans. Disadvantages of performance measurement were mainly results of its misuse (e.g. imposed but unwanted measures, inappropriate measures and manipulation of measures and performance data).

There was a vague notion of the alignment between performance measurement and strategy. However, there were two issues normally agreed among the OAG officials, including (1) the natural occurrence of alignment as a result of the planning process, and (2) the use of ambiguous measures that suit whatever objectives and activities as a way of maintaining alignment.

BB case

For the BB informants, the meaning of strategy was not clear. The terms strategy and policy were usually used interchangeably. BB strategy was claimed to be compliant with government policy/strategy. Despite frequent mention of clear linkages of activities throughout organisational hierarchy, there was no evidence supporting the claim. Changes in strategy were more often the results of changes in governmental mandate, changes in budgeting principles, and emergence of new missions.

Performance measurement was new to the BB. A formal measurement approach had only recently been adopted, and so was not fully in systematic use. All measures used were output or activity measures. Performance data were mainly used to report to the inspectorate body (i.e. the Cabinet). The most obvious advantage of performance measurement was that it helped to discern the linkages between sub-units and organisation, and between organisation and government, while its only perceived disadvantage was that it was resource-consuming. A unique characteristic of BB was that it was able to influence the performance measurement formulation of other Thai public agencies, which are required to submit their performance measures for BB approval, in order to qualify for the budget being requested.

Even though there was general acceptance that all activities and processes should be aligned with policy/strategy, performance measurement was regarded as necessarily being aligned with outputs or activities. This notion probably owed to an assumption that such outputs/activities would eventually lead to the accomplishment of the long-term objectives of the organisation. Therefore, performance measurement aligned with these outputs/activities would always be aligned with, and supportive of, the strategy. However, BB strategy appeared to disconnect from operations because activity plans supposed to be derivatives of strategy were based on functional specialisation, rather than the strategy itself. For this reason, BB operations appeared to lack a strategic perspective.

ONCCC case

The ONCCC officials interpreted the meaning of strategy variously. Strategy was typically regarded as comparable to policy in so far as it provided a holistic view of the organisation. The ONCCC's duties and responsibilities were stated clearly in its legislation. Therefore, whatever the policy/strategy might be, the activities remained virtually unchanged. This caused policy/strategy to detach from the operations. Despite the rarity of strategy changes, they did occur from time to time, more often when there was change among the top executives, with the new executive wishing to install her/his own policy/strategy. However, changes in strategy were not always followed by appropriate changes in plans and activities. Strategy was regarded as relevant only to the officials directly responsible for the strategy-formulating process whose working outputs were the strategy *per se*.

Measuring the accomplishment of organisational objectives was regarded as difficult, and so the ONCCC measured working outputs instead. Output measurement was based on the assumption that these outputs would eventually result in the desired objectives. Performance measurement was used to serve both internal and external purposes. In terms of the internal purposes, it provided management with feedback regarding working progress, enabling managers to monitor ONCCC performance. However, more importantly, performance data was used to report externally to the Parliament. Since budget allocation criteria were based primarily on the quantification of public agencies' working outputs, the ONCCC tended to measure the more measurable aspects of performance. These included measuring outputs produced or input used. Despite performance measurement having the advantage of, for example, providing feedback information to the management for better control, suggesting appropriate adaptations and

areas in need of improvement, performance measurement was noted by some informants as being of little use. Moreover, performance measurement had a number of disadvantages, including the difficulty in conducting measurement activities and their costliness. Interestingly, however, performance measurement was regarded as a possible cause of conflict because the officials whose performance was measured might feel humiliated by being monitored and measured.

Among the ONCCC officials, there existed virtually no perception of the alignment between performance measurement and strategy. Regardless of policy/strategy changes, performance measures never changed. Output measures were always used.

From in-case analyses of all four case-sites, some interesting issues emerged, as follows:

Issues regarding strategy:

- Even though the clarity of strategy was regarded as essential, public agencies' strategies were often stated ambiguously.
- The meaning and functions of strategy in public agencies were not clear.
- In the main, policy and strategy were used interchangeably.
- The planning process was considered to link activities with policy/strategy, and to compromise top management's perspectives with operational perspectives.
- Frequently, the planning process did not rely on policy/strategy, but rather, on routine activities.
- Strategy and strategic management was seen more as an imposition than a necessity.

- Political/governmental influences appeared to be powerful on public agencies, regardless of their political dependency. Government could usually influence the agencies, especially through the budget allocating procedure.
- Even though several factors were regarded as causing changes in strategy, activities which were supposed to be congruent with strategy hardly changed.
- Strategy appeared to be disconnected from operations because plans/activities did not incorporate strategic perspectives.
- Strategy was regarded as inviolable, and even sacrosanct.

Issues regarding performance measurement:

- The use of performance measurement in public agencies was not considered rigorous.
- Performance measurement systems were imposed on the agencies mainly for resource-allocating and rewarding purposes. However, these systems and measures within them were not always useful for the agencies' management purposes because they were not compatible with the agencies' individualistic needs.
- Performance data were mainly used to report to the agencies' external inspectorate bodies (e.g. auditor, government and Parliament).
- Performance measurement was used internally to monitor working progress against short-term plans.
- Long-term objectives were assumed as inevitable results of short-term performance, and were rarely assessed.

- Despite the realisation that the agencies' long-term objective accomplishment should be assessed, performance measurement in place emphasised solely short-term measurement (e.g. inputs, outputs and activities).
- An obvious incentive for measuring short-term performance (mainly outputs and activities) included the fact that the budget allocating criteria were based primarily on the agencies' tangible performance. Therefore, the agencies that could demonstrate their ability to work more would be in a better position to receive requested money, even if their work did not result in the desired long-term objectives.
- Performance measurement was regarded as capable of promoting cooperation among individuals and sub-units within the organisation, especially when they shared responsibility for a performance area measured.
- Performance data were not only used for informing on how well public agencies were doing, but also for other purposes such as demonstrating accountability for different groups of stakeholders, and enhancing organisational credibility.

Issues regarding the alignment between performance measurement and strategy:

- There was no formal assessment of the alignment, despite both strategy and measures being known. Instead, alignment was always assumed.
- A principal reason in support of the assumed alignment was that since plans were assumed to be derived from policy/strategy, activities within these plans would naturally be aligned with policy/strategy. However, this could be a fault because—in practice—plans often resulted from a bottom-up or operations-oriented process, rather than a top-down or strategy-oriented process.

- Alignment was assumed, in spite of the contradiction in the nature of perspectives in the measure used and in the policy/strategy (i.e. while the output or activity measures used focused on short-term performance, policy/strategy focused on long-term results).
- The above mentioned contradiction was likely to result in a tension when strategy-aligned performance measurement was preferable from a strategic perspective, while output- or activity-aligned performance measurement was preferable from an operational perspective. Therefore, if the strategy and the operations were disconnected, this alignment tension could be expected in practice.
- Performance measurement was considered as a means of linking the individual agencies to the government's overall public policies.
- While there existed several factors that could cause policy/strategy change, long-term objectives and activities hardly changed. Therefore, one way to maintain the relevance of performance measurement was to align measures with activities, on the assumption that these activities would result in the desired long-term objectives.

Comparing dependent and independent agencies, it appeared that the agencies under the government's close supervision (i.e. the OCSC and BB) appeared to be more active in strategic management and performance measurement than independent agencies (i.e. the OAG and ONCCC). For both groups of public agencies, however, the alignment between performance measurement and strategy was simply assumed, rather than formally assessed. There existed no systematic mechanisms for assessing or managing such alignment. For public agencies, political/governmental influences appeared to be high, even for the so-called independent agencies.

CHAPTER 9

Findings and Discussions

9.1 Introduction

In the previous chapter, the descriptions and intra-case analyses results from the study of each case site were discussed. This chapter will discuss inter-case analyses results as the overall analysis of this multiple-case study. Therefore, this chapter aims to report and discuss the research findings of the study.

From the research question and sub-questions stated in section 5.6:

How, in central government agencies, is the alignment between performance measurement and strategy managed?

- *How are performance measures, performance measurement systems, performance measurement, and performance management understood?*
- *How is the performance measurement-strategy tension perceived?*
- *Is there performance measurement-strategy alignment?*

There are five research findings for the study:

- Practical meanings of strategy in public sector management
- A missing practical view of the existing performance measurement and performance management definitions
- Performance measurement-strategy alignment tensions
- Advantages of strategy-misaligned performance measurement
- Performance measurement-strategy alignment strategies

Each of these findings will be presented and discussed in turn.

9.2 Practical Meanings of Strategy in Public Sector Management

By cascading its policies, the government hopes that public agencies work in the direction that politicians see appropriate. Throughout the history of the Thai civil service, policies have been used to provide a framework for public agencies and civil servants to follow. Thai public servants thus seem to be familiar with policy. Not until recently has Thai public sector management introduced strategic management.

Strategy—the policy in a new cloak

Strategic management and its components (e.g. vision, mission, strategy and strategic objectives) have formally been present in Thai public sector management for less than a

decade. Supposedly, the main purpose in adopting strategic management is for public agencies' top executives to identify more specific approaches for the stated policy. For this reason, at least theoretically, strategy has been expected to function differently from policy.

In this study, differences between strategy and policy were noted among public agencies' top executives, as shown in the following examples.

Strategy is to be determined by the implementers. Policy is to be given from above.

A top executive, OCSC

Policy is broader. It is like the wider target. Strategies must comply with and facilitate the policy.

A top executive, OAG

Policy tells what to do but strategy tells how to do, how long, and how much it will cost.

A top executive, BB

The NCCC provides broad policy for the whole organisation to follow. Strategy is more detailed. It's a 'path' leading us to the accomplishment of the objectives.

A top executive, ONCCC

Despite the top executives' apparent ability to differentiate policy and strategy, other civil servants were unable to see this difference as clearly. Evidence suggests that these civil servants regarded strategy as equivalent to policy. Perhaps the following interview extract best demonstrates this:

Strategy and policy are different terms for the same thing

A middle manager, BB

Therefore, in practice, the terms strategy and policy were used interchangeably when referring to *desired working directions given from the agency's top management*. These terms were often found used, perhaps confusingly, together as *policy/strategy* or *policy or strategy* or *policy and strategy*. Despite the use of different terminology, it was not clear as to how strategy differed from policy in practice.

9.3 A Missing Practical View of the Existing Performance Measurement and Performance Management Definitions

The performance measurement literature seems to offer a range of definitions of the key concepts relevant to performance measurement research (see section 2.2). Among the fundamental concepts, and also of the interest to this research, are the definitions of *performance measurement*, *performance management*, and *alignment between performance measurement and strategy*.

There appears to be a lack of consensus with regard to the meanings of these fundamental concepts. In practice, each concept was regarded differently, depending on who interpreted it and/or in which context and for what purposes it was used. There is the view that this problem is common because the same concept means different things to different people (Bouckaert, 1992; and Jackson, 1988). Notwithstanding, in order to seek a consistent interpretation of these concepts, it may be useful to take into consideration both academic and practical perspectives.

Comparing the academic (e.g. from the literature) with the practical (e.g. from this case study's empirical evidence) perspectives, it was found that the academics appeared to emphasise less the various purposes of performance measurement than did the practitioners, especially in defining the key concepts. The evidence from the field case studies in this research suggested that public managers used performance measurement largely to satisfy various demands from different groups of stakeholders. This demonstrated that performance measurement, in practice, was used to satisfy stakeholders' requirements, a point that was little mentioned in the existing definitions of performance measurement in performance measurement/management literature.

Table 9a provides a comparison of performance measurement definitions/meanings from the academic and practitioner perspectives.

Performance measurement definitions from the academic perspective	Performance measurement meanings from the practitioner's perspective
The process of determining how successful organisations or individuals have been in attaining their objectives (Evangelidis, 1992).	<i>Performance measurement needs to consider different groups of stakeholders too.</i> A non-management official, OCSC
The development of indicators and collection of data to describe, report on and analyse performance (Marshall <i>et al.</i> , 1999).	<i>We have to report our investigation to the parliament but it's up to them how much attention they will pay to the reports.</i> A supervisor, OAG
The process of quantifying action correlates with performance (Neely <i>et al.</i> , 1996).	<i>We have later changed to taking customers' satisfaction into considerations. Customers may comprise of government cabinet, ministers or public agencies.</i> A middle manager, BB
A process of assessing progress towards achieving predetermined goals (Amaratunga <i>et al.</i> , 2001).	
The regular collection and reporting of information about the efficiency, quality and effectiveness of government programmes (Nyhan and Martin, 1999).	<i>It is crucial to be able to inform the parliament in concrete terms what we did with the allocated budgets.</i> A supervisor, ONCCC

Table 9a: Comparison of the Academic Definitions and Practitioners' Perceptions of the Meanings of Performance Measurement
(Source: the author)

Despite both academics and practitioners regarding performance measurement as a management tool which provides insight into how an organisation is progressing towards the accomplishment of its objectives, the empirical evidence suggests that public managers have a broader view of performance measurement. The above table indicates a discrepancy in the perceptions of performance measurement between the academics who study performance measurement and the public managers who use it.

In contrast to the academic interest, public managers appeared to be more concerned with the use of performance measurement as a means of satisfying various requirements from various groups of stakeholders than as a mere management tool. These managers saw that a vital managerial task is to provide different stakeholders with the performance data that can serve a range of performance dimensions to suit the different demands for different

interests from various groups of stakeholders. The main purpose of using performance data was to demonstrate tangibly the accountability that public agencies hold to different groups of stakeholders. Performance data were used to inform the stakeholders that their interest was being taken into consideration and not being ignored.

Satisfying the various requirements of different groups of stakeholders was seen as important because stakeholders were influential in public organisations both directly or indirectly. Ultimately, the stakeholders are those who justify the public agencies' performance. It is they, rather than the agencies themselves, who judge the agencies' performance.

It is not up to us to say whether we are doing well. It must be the outsiders to report about that because it's how they see our working results.

A middle manager, OCSC

We need to hear the feedback from other public agencies who use our standard price handbook. They would tell us just how well we did our work.

A middle manager, BB

Talking about efficiency, it should be people from the outside who see how we are doing.

A middle manager, ONCCC

With their limited capability (e.g. resources, ability and authority), it is unlikely that public agencies would be able to satisfy all the requirements of all stakeholder groups, especially where there are several groups. Moreover, these requirements may sometimes compete with each other. For example, the OCSC was expected to be the initiator of new public management practices, with the old ones being expected to continue in tandem. Again, the ONCCC was expected to investigate all high-ranking officials' (both political and non-political) liabilities and assets accounts, while at the same time, accuracy was crucial. In these circumstances, public managers may need to provide overarching performance data that do not set out to satisfy any specific groups of interest, but rather to compromise between those various interests.

The following table provides examples of how public agencies used performance measurement to deal with different groups of stakeholders with a variety of requirements.

Stakeholders and requirements	Use of performance measurement
Government: Accountability	<i>In reporting to the government, we described what had been done by referring to each government policy”—a top executive, OCSC.</i>
Modernity	<i>According to the trend in international public management practices, it becomes necessary to report to the public more widely about our performance—a non-management official, OCSC.</i>
Efficiency	<i>It's not always possible to calculate costs for every activity. It worries me when government demands to see our operating cost—a middle manager, OAG.</i>
Citizen: Responsiveness	<i>The Bureau of the Budget chooses to assess performance, especially the projects that are attractive—a top executive, BB.</i>
Transparency	<i>Public agencies are subject to more scrutiny. They have to be more transparent and monitorable—a top executive, OAG.</i>
Management: Effectiveness	<i>We report monthly to the Policy and Planning Department whether we are able to reach our target—a middle manager, ONCCC.</i>
Modernity	<i>We must be able to catch up with other public agencies, in terms of measuring our performance—a top executive, OAG.</i>
Clients: Satisfaction	<i>In addition to quantitative indicators, there are also qualitative ones indicating how satisfied our clients are—a middle manager, ONCCC.</i>
Other public agencies: Compliance with rules and regulations	<i>Public agencies need to report to us by filling in the form BB 46-1—a supervisor, BB.</i> <i>The OAG's duty is to make sure that public work has been done in compliance with the rules and regulations—a supervisor, OAG.</i> <i>The Controllers' General Department requires that we establish internal audits—a middle manager, OCSC.</i>

Table 9b: Evidence of Various Uses of Performance Measurement to Satisfy Different Groups of Stakeholders' Requirements
(Source: the author)

Therefore, to make performance measurement research more relevant to its practices, an attempt should be made to find a definition of performance measurement that includes the practitioners' perspectives. In order to do so, the refined definitions of performance measurement and performance management being proposed are:

Performance measurement is the process of determining how the performance measurement systems lead to the accomplishment of the objectives derived from a variety of requirements.

This definition indicates that there are several requirements public agencies and public managers seek to fulfil. It implies that the accomplishment of formally stated objectives (which seem to be overemphasised in the existing performance measurement definitions) would appear to be insufficient since they represent only some aspects of the overall requirements.

Given the refined definition of performance measurement being proposed, performance management can thus be defined as follows:

Performance management *is the use of performance measurement to assess how well the organisation serves its various groups of stakeholders, in order for improvement/development.*

From the above refined definitions of performance measurement and performance management, it can be seen that an important purpose of performance measurement/management is to satisfy a variety of requirements from different groups of stakeholders.

Even though public agencies are expected to satisfy a variety of requirements from different groups of stakeholders, they may not be able to satisfy all the needs from every group. Therefore, at any particular time, a public agency needs to compromise among these requirements, in order to produce a commonly accepted set of objectives. Otherwise, the organisations would appear to be a *hotchpotch*, attempting to do everything to satisfy everyone.

However, performance measurement/management does not exist in a vacuum. It is expected to support the agencies' activities governed by the policy/strategy given by the agencies' top management, in order to achieve pre-set objectives. That is, performance measurement/management should be aligned with an organisation's policy /strategy.

As already discussed, mainly in section 4.4, despite a number of proponents of the alignment between performance measurement and strategy, the definition of *alignment* has not been clear. Corresponding to the definitions of performance measurement/management being proposed, a refined definition of the alignment between performance measurement and strategy is presented as follow:

Alignment between performance measurement and strategy is *the extent to which performance measurement is capable of providing performance data necessary to the supporting and facilitating of strategy implementation*

With more practitioners' perspectives being brought into the defining of these fundamental concepts in performance measurement studies, it will become increasingly possible to investigate the interplay between performance measurement and strategy, including the alignment between the two.

Since the perception that performance measurement should be aligned with organisational strategy was not uncommon (see section 4.4), public managers were under pressure to demonstrate such alignment. However, public managers attempting to align performance

measurement with policy/strategy often encountered tensions, which could be referred to as *alignment tensions*, which will be discussed in the following section.

9.4 Performance Measurement-Strategy Alignment Tensions

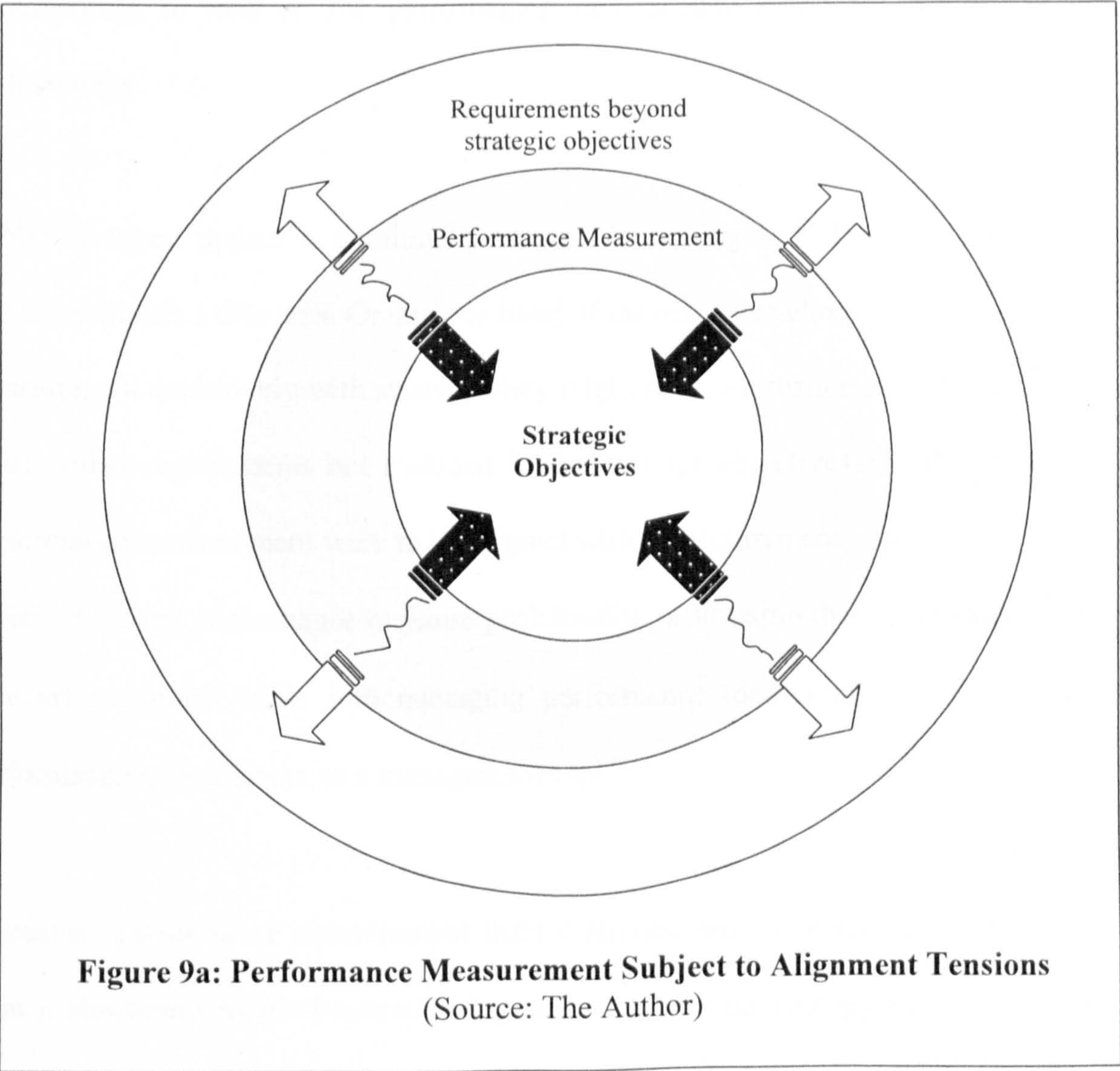
For public agencies, there appeared to be various groups of stakeholders with different requirements. However, some groups were regarded as more influential than others. These stakeholder groups can thus have their interest reflected in the public agencies' strategic objectives more than those of other groups. However, these objectives were only part, not all, of the agencies' overall requirements. Working exclusively towards these objectives may not have been sufficient because there were other requirements from less influential stakeholder groups whose interests were not reflected in these objectives.

While public managers were expected to provide performance data pertaining to the way in which they were working towards these objectives, they were also expected to provide data regarding other dimensions of their work.

There appeared to be at least two distinct demands for performance data that caused alignment tensions, including:

- The demand for strategy-related performance data
- The demand for performance data beyond that of the strategic focus

The concurrent existence of the demands for different types of performance data can cause the alignment tensions illustrated in the following figure.



In the above figure, it can be seen that even though strategic objectives are normally considered the core of public agencies' requirements, they are only part of all the requirements for which the agencies are accountable. The tensions arise when there are demands for performance data, indicating performance towards strategic objectives and, at the same time, towards other requirements.

Even though performance measurement is expected to align with strategy (i.e. to indicate how well strategic objectives have been worked towards), performance measurement also needs to provide performance data indicating how well the agencies worked towards other requirements. In view of this, performance measurement cannot be exclusively aligned with strategy.

Public managers appear to continually struggle in dealing with these alignment tensions, and to encounter a dilemma. On the one hand, if the managers choose to align performance measurement exclusively with strategy, they might not have sufficient performance data to satisfy other requirements not included in the strategic objectives. On the other hand, if performance measurement were to be aligned with all requirements, the agencies might be at risk of having performance measure proliferation, a situation that could cause managers to exert too much effort into managing performance measurement, rather than using performance measurement as a management tool.

Moreover, performance measurement tightly aligned with strategy may not be relevant from a short-term focused operational perspective because strategy-aligned performance measurement focuses instead on long-term performance. This contradiction between the nature of the perspective of strategy and operations can also cause performance measurement-strategy alignment tensions.

For this reason, the alignment tensions are likely to be a natural phenomenon for at least two reasons. Firstly, these tensions arise because public managers are always required to provide performance data which both focus on strategy and offer broad enough scope to

cover all other requirements at the same time. Secondly, the need to have strategy-aligned performance data from a strategic perspective may contradict the need to have operations-oriented performance data from an operational perspective.

It is likely, therefore, that public managers are to be subject constantly—to a greater or lesser degree—to alignment tensions. Public managers, especially those in the public agencies whose policy/strategy seems to be volatile, are likely to encounter more alignment tensions because policy/strategy can be changed more frequently. For these organisations, more frequent adaptation of the performance measurement process is needed, in order to maintain its relevance (Niven, 2002; and Parker, 2000).

However, in addition to adapting performance measurement, this research found that public managers also used some other tactics to deal with alignment tensions because strategy-misaligned performance measurement can be more preferable on some occasions. These tactics can be categorised into three groups of *alignment strategy*. These alignment strategies and tactics within each strategy will be discussed later in section 9.6, after discussion of the advantages of strategy-misaligned performance measurement in the next section.

9.5 Advantages of Strategy-Misaligned Performance Measurement

Despite the notion that strategy-aligned performance measurement in the public sector organisations is of virtue—as discussed in section 5.5 the alignment between performance measurement and strategy in such organisations appears to be subject to some difficulties owing to the nature of those organisations.

The distinctive characteristics of public sector organisations that can make the alignment between performance measurement and strategy difficult include (1) the difficulties of agreeing and identifying strategy (e.g. Oster, 1995), (2) the tendency of having emergent rather than planned strategy (e.g. Ring and Perry, 1985), and (3) the presence of the needs for performance measurement to provide double-loop feedback information (e.g. Leeuw *et al.*, 1994). As a result, public managers would appear to encounter difficulties aligning performance measurement with strategy.

In spite of the emphasis of the current literature on the virtues of the strategy-aligned performance measurement, however, this research found that misalignment can be advantageous in many circumstances.

The advantages of the strategy-misaligned performance measurement fall into at least eight areas including that it helps to: (1) create balance between focus and scope of work, (2) bridge the strategy-operation disconnection, (3) create flexibility, (4) enhance measurability of performance measurement, (5) enhance compatibility between

performance measurement and personnel performance appraisal practice, (6) enhance legitimacy, (7) increase control over performance measurement results, and (8) encourage organisational learning.

In the remainder of this section, each of these advantages of misalignment will be discussed in turn.

9.5.1 Creating balance between focus and scope of works

Even though strategy is generally perceived as the working direction of public agencies, it does not cover all areas of agency requirements. Performance measurement closely tied to an organisation's strategy may not be able to provide performance data regarding other requirements not included in strategic objectives.

Despite the desirability of alignment, some degrees of misalignment between performance measurement and strategy can have advantages, for it helps public managers to monitor their organisation's performance beyond that pertaining to strategic objectives. Managers can thus be more answerable for a variety of requirements from different groups of stakeholders whose interests may not be articulated in the organisations' strategic objectives.

While the strategy-aligned performance measurement helps public managers to focus on their strategic requirements, they may sometimes underemphasise, or even overlook, other

requirements. An appropriate degree of misalignment can help to create balance between strategic focus and the overall requirements of public agencies.

9.5.2 Bridging the strategy-operation disconnection

As already discussed in the case-site analysis sections as well as in the summary of the previous chapter, strategy appeared to be disconnected from the public agencies' real-world operations. For example, the articulated strategic intents were sometimes regarded as impractical and non-actionable, and thus, were not operationally accepted.

Considering the strategy disconnection, it seems not to be sensible in the operational sense to align performance measurement tightly with strategy because the measurement would focus on strategy that is irrelevant to the operations. Conversely, the strategy-misaligned performance measurement can possibly provide more relevant performance data regarding the operations. Therefore, having performance measurement, to an appropriate degree, misaligned with strategy can be beneficial both in terms of satisfying the needs for relevant performance data and for organisational alignment.

In this vein, it can be seen that the strategy-misaligned performance measurement can establish a compromise between the disconnected strategy and real-world operations. In other words, misalignment helps to bridge the strategy-operations disconnection.

9.5.3 Creating flexibility

Public agencies' working directions and requirements appear to be subject to frequent changes, especially in view of the fact that the causes of changes can be both from the agencies' executives and from the changing requirements from the government.

As a result, performance measurement used to indicate how well the agencies worked in support of the given working directions is also subject to frequent changes. In practice, performance measurement fixed to strategy (e.g. measures of strategic objectives) requires enormous effort to maintain its alignment with strategy because the existing measurement can become less relevant once the strategy has changed. Therefore, it may not always be appropriate to have performance measurement tightly aligned with strategy in the organisational context where strategy is volatile.

Informants agreed that performance measurement should be flexible enough that it can support a wider range of requirements that might be included in the future strategy. More flexible performance measurement system may consist of a set or sets of broad measures that can be used to indicate the agencies' performance, even when strategy has changed. For example, the outputs or activities measures can often be used even when strategy has changed. In view of this, for those organisations whose strategy tends to be volatile (such as public agencies), performance measurement may not only be expected to align with the current strategy, but also with the future strategy.

In this way, strategy-misaligned measurement can help to create flexibility for public agencies because the broad measures used demand less attention and fewer resources to adapt in accordance with the changing strategy.

9.5.4 Enhancing measurability of performance measurement

Measuring long-term strategic objectives appeared to be difficult because they were often vague and took a long time to attain. The need for more measurable short-term performance thus existed, despite the unproved cause-and-effect relationship between the agencies' short-term performance and long-term objectives. The following interview extracts highlight these points:

We are not able to measure BB's long-term objectives, and so we measure 'intermediate' accomplishments based on the assumption that our outputs will eventually result in long-term objectives. Yet it might not be true in reality.

A middle manager, BB

We only hope that what we have been doing will result in the achievement of our objectives wished for, because the outcomes are unmeasurable.

A supervisor, ONCCC

Moreover, given that performance measurement knowledge for the public sector has been underdeveloped, there is a lack of guidance with regard to how to measure performance towards long-term objectives. Therefore, the broad measures used seem more appropriate, owing to their reduced complexity, enabling both public managers and inspectorate bodies to make better use of, and to understand more fully, performance data.

In light of this, measurement tightly aligned with long-term strategy may not be practically useful. In order to be able to measure the performance of public agencies, shorter-term measurement, which can be regarded as misaligned with strategy, might be more useful because they are more measurable.

9.5.5 Enhancing compatibility between performance measurement and personnel performance appraisal practice

Generally, Thai civil servants' career development depends largely on the results of their performance appraisal. While outcomes from work may take years, or even decades, to realise, recently, performance appraisal has been conducted annually, or even biannually. Therefore, short-term performance measurement seems to be more suitable for short-term personnel performance appraisal practice.

In the Thai administration, the civil service system relates closely the performance evaluation results to a civil servant's career development, including opportunities for appointment, professional enhancement, training and development, and salary increase.

Those civil servants whose performance evaluation results are better, despite less contribution to the longer-term objectives, appear to have more promising career prospects.

Thai civil servants regard their career prospects as crucial because they tend to be in service for a very long term. The data regarding the causes of Thai civil service manpower loss in the following table indicate this tendency.

	Retirement at 60 years of age (%)	Early retirement (%)	Other causes ^a (%)
1999	24.49	51.93	23.58
2000	26.44	53.20	20.36
2001	17.53	62.02	20.45
1999-2001 average	22.82	55.72	21.46

^a including resignation, dismissal, and death

Table 9c: Causes of Thai Civil Service Annual Manpower Loss
(Source: Office of the Civil Service Commission, 2000b, 2001b, and 2002)

From the above table, it can be seen—despite only a short period of consecutive fiscal years being shown (due to poor data archives)—that Thai civil servants tend to work in public service for very long periods of time. During 1999 and 2001, just over twenty per cent left the service prior to formal retirement (e.g. resigned, dismissed or died). In contrast, over seventy-eight per cent of them remained in the service until retirement (either voluntary early retirement or forced retirement at the age of sixty).

It is, therefore, understandable that Thai civil servants, who tend to work in the civil service for a considerable time, avoid risking their career by attempting to achieve more tangible short-term objectives. In light of this, the strategy-aligned performance

measurement focusing on long-term results/outcomes may not be compatible with the needs for short-term performance measurement results.

9.5.6 Enhancing legitimacy

Broad performance measurement that is not tightly aligned with strategy can be beneficial for public agencies seeking legitimacy in at least two ways, i.e. the legitimacy for poor performance and the legitimacy to be allocated additional resources.

Firstly, broad performance data can be used in support of the explanation for poor performance, as it provides extensive and overarching performance data regarding the agencies' activities and outputs in the main. Public managers often claimed that their poor performance was caused by additional requirements being constantly delegated.

Secondly, broad performance data can be used in support of the request for more resources from the government. For example, it is easier to demonstrate additional activities/outputs by comparing present tasks with the regular tasks before the new requirements were added. Therefore, public agencies can have data in support of the claim that the available resources are insufficient, permitting them to request additional resources commensurate with the additional tasks.

Public agencies are often delegated more and more work. We thus have to ask for more [resources].

A middle manager, OCSC

For this reason, possibly contrary to expectations, it is not always undesirable for public managers to be delegated more tasks. Public managers can benefit from the additional delegation because they can use it as reasons for requesting more resources, and this, in turn, helps their agencies to become larger in terms of both budget and number of personnel. This provides public managers with more power because they can have more public resources under their authority.

9.5.7 Increasing control over performance measurement results

Since strategic objectives or outcomes take longer to accomplish, they tend to be subject more to uncontrollable factors (e.g. changes in governmental requirements and available resources). In contrast, shorter-term objectives (known as milestones or intermediate objectives) are more controllable, allowing public managers to have more control over short-term performance measurement results.

For example, managers can have more control over the number of pieces of work to be done (short-term performance) than if the finished work eventually results in desired outcomes (long-term performance).

Because objectives cannot be spelt out clearly, it is not possible to measure if the objectives are met. We can only measure if we do as we have planned.

A non-management official, OCSC

In order to see if the objectives are achieved, we compare the plans with the finished jobs.

A supervisor, OAG

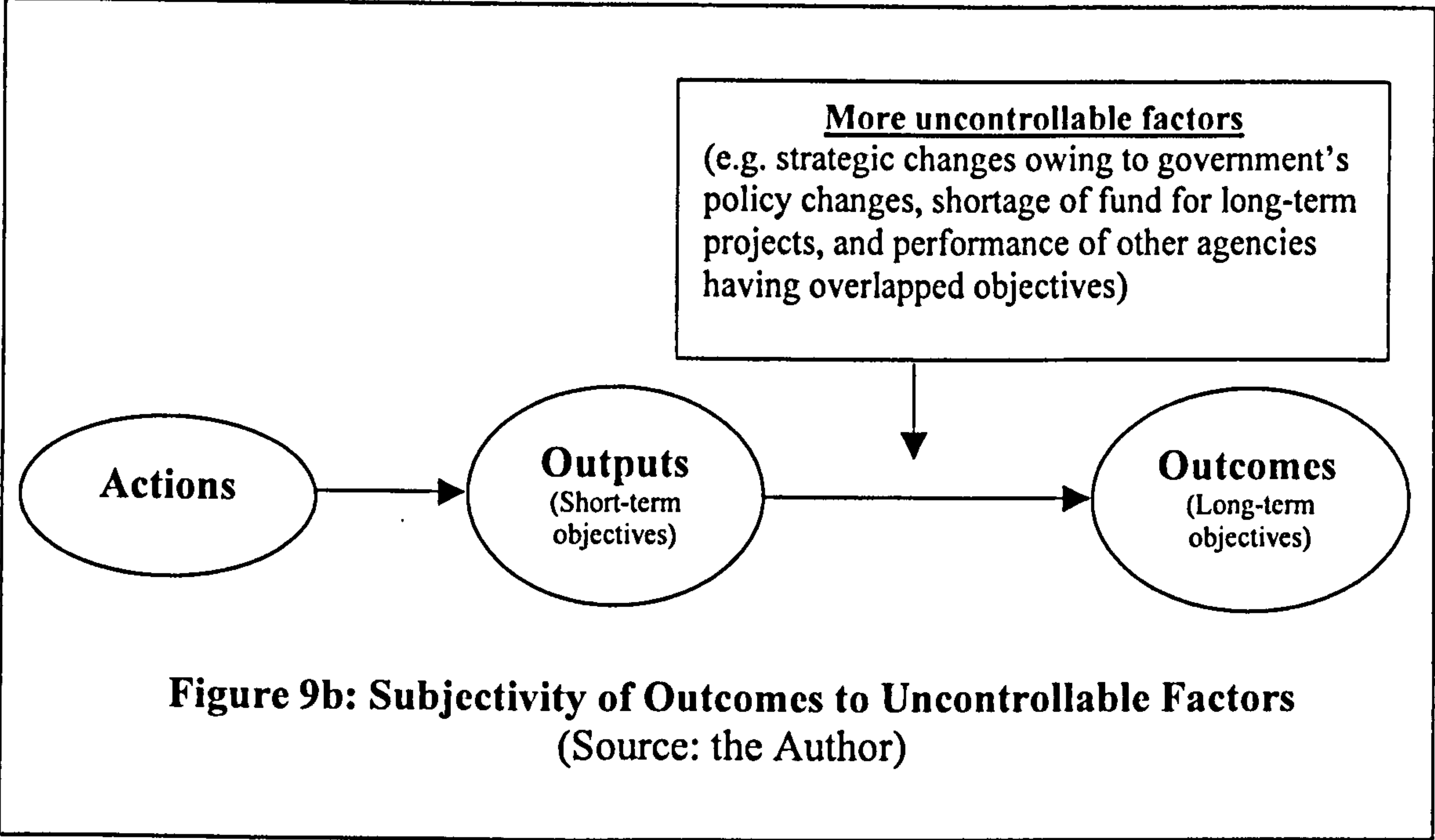
We are still not able to measure long-term objectives of the BB set for the year 2013. We, therefore, measure 'intermediate' accomplishments based on the assumption that our outputs contribute to the achievement of those long-term objectives. Yet, it might not be true in reality.

A middle manager, BB

The outputs done are concrete, while other abstract things like outcomes or objectives are the things we can talk about but cannot see or touch. At least, we have to demonstrate what we really did in concrete terms and then the abstract objectives come together with the outputs.

A supervisor, ONCCC

The following figure graphically summarises this point.



Since managers may have more control if actions lead to outputs than if the outputs result in desired long-term outcomes, by matching performance measurement to short-term performance (e.g. measure whether the outputs are done on time and to plan), managers are able to have more control over their performance and, in turn, performance measurement results.

The managers' controllability over outputs together with the authority to choose their own measures, allow public managers to place emphasis on the application of shorter-term performance measurement. It is even easier to do so, since the framework proposed by the Bureau of the Budget—with which public agencies need to comply—is mostly comprised of short-term measure types.

In the following table, each agency's strategy(ies) is(are) compared side-by-side with performance measures used.

	Strategy	Measures
OCSC	<ul style="list-style-type: none"> Public administration and country development are efficient, transparent, equitable in accordance with the country's economic and social changes, and also up-to-date with international community. 	<ul style="list-style-type: none"> Number of dimensions of public agencies' organisational structure and personnel Number of students in foreign countries who are under the supervision of the OCSC Number of prepared officials for public sector missions Number of public agencies adopting management-by-objectives scheme Number of public agencies having PSO certificates Number of cabinet approved reports/suggestions regarding public administrations reform Number of public agencies having new personnel management system Number of public agencies having moral and ethics standard charter Number of civil servants participating in moral and ethics promoting programmes Per cent of advancement in developing of civil servants rules and regulations, appeal, and grievance.
OAG	<ul style="list-style-type: none"> Improve working potential Develop IT competency Increase R&D Emphasise public relations and moral promotion 	<ul style="list-style-type: none"> Number of public agencies audited Number of public financial accounts audited Number of procurement contracts audited Number of operational audits
BB	<ul style="list-style-type: none"> Facilitate the improvement of public sector management 	<ul style="list-style-type: none"> Number of ministries budgeted Number of jobs/projects budgeted Number of consultations regarding budgetary procedure given Number of plans followed up and performance assessed Number of ministries having improved budgeting systems Number of consultations regarding working structures and systems given Number of trained personnel
ONCCC	<ul style="list-style-type: none"> Prevent and suppress public corruption 	<ul style="list-style-type: none"> Number of assets and liabilities accounts inspected Number of public relations events organised Number of corruption accusations cases investigated

Table 9d: Case Sites' Stated Strategy and Performance Measures
(Source: Bureau of the Budget, 2002)

From the above table, no apparent linkages between strategy and measures are evident, despite a perception that the measures should align and support an organisation's strategy and long-term objectives. Public managers appeared to prefer and to be able to choose performance measurement misaligned with strategy, for they could have more control over performance measurement results.

9.5.8 Encouraging organisational learning

Policy/strategy appears to be more given than collaborated, which mostly reflects its makers' perception of the nature of the agencies' working direction. Monitoring of performance beyond strategic objectives, then, not only frees public agencies from sole dependence on the policy/strategy makers' discretions, which sometimes can be flawed, but also enhances the ability to learn from the practical perspectives from within the organisation. In other words, measures misaligned with strategy—if properly used—can be beneficial because they can provide data for organisational learning.

Performance measurement that is not limited to the measuring of results toward achieving strategic objectives can thus broaden peripheral vision by the performance data fed back to the top management from real-world operations perspectives. Viewing through a broader perspective, organisations can learn more from their operations than strictly following the given policy/strategy from the executives and/or politicians.

In conclusion, in addition to the suggestion in the performance measurement/management literature that the alignment between performance measurement and strategy could be beneficial to organisations, this study has found that misalignment could also be of benefit.

9.6 Performance Measurement-Strategy Alignment

Strategies

Public managers in the cases studied appeared to employ a number of tactics in dealing with the alignment tensions. While some tactics were used to deal directly with the alignment issue, others were used rather indirectly or even, surprisingly, without any relevance to the issue of alignment. These tactics can be categorised into three main strategies.

- *Do-nothing Strategy*

Managers who used a do-nothing strategy took no action to alleviate alignment tensions, thus leaving the tensions to continue.

- *Realigning Strategy*

In this strategy, managers appeared to struggle to regain alignment, which led to the alleviation of the tensions.

- *Distracting Strategy*

To deal with the tensions, managers also directed attention away from the alignment issue.

Several tactics were found to have been used for each strategy. All these three alignment strategies and tactics will be discussed next.

9.6.1 Do-nothing Strategy

Managers can deal with alignment tensions without taking corrective measures with regard to alignment. Two main tactics for this alignment strategy are the *form-filling*, and the *assuming-and-believing* tactics.

Form-filling tactic

For this tactic, performance data was gathered with regard to the pre-specified areas of performance, and the standardised forms were then filled in without any further concern. Therefore, this data was unlikely to have apparent linkages to strategy. Performance measurement was considered a stand-alone sub-system used for satisfying reporting and/or controlling purposes.

Most agencies take the Bureau of the Budget's [measurement] framework to measure, for example, if the jobs are finished on time or if the budget is over-spent.

A top executive, OAG

Public agencies have to report by filling out the forms BB 46-1, 46-2, and 46-3 and then sending the forms back to us.

A non-management official, BB

Assuming-and-believing tactic

Using this tactic, managers assumed that performance measurement was aligned with strategy by nature. In other words, the alignment between performance measurement and strategy was believed to happen naturally and automatically without management intervention.

This tactic can be seen as complementary to the form-filling tactic. However, the assuming-and-believing tactic seems to be more sophisticated because it requires more thought than the form-filling tactic.

Performance measures always support strategy because of their natural alignment from the cascading nature of the planning processes

A supervisor, OCSC

9.6.2 Realigning Strategy

In contrast to those managers who used the do-nothing strategy, some managers attempted to subdue alignment tensions by re-establishing the alignment between performance measurement and strategy. The main purpose of this strategy was to make performance measurement more relevant to the organisational strategy once misalignment had occurred.

In so doing, public managers employed four tactics, including *measure-changing*, *nominal plan-changing*, *short-term performance measuring*, and *unit sub-optimised measuring* tactics. Each tactic will be discussed in turn.

Measure-changing tactic

Using this tactic, measures were changed in two major forms, i.e. the replacement of the existing measures with new ones, and the adjustment of the pre-set targets.

Typically, the measures remained in use for as long as the plan/project was in progress. Even though some informants claimed that if the measures were found inappropriate, the replacement of measures would occur, there was little evidence supporting this claim. Therefore, the more common change was target adjustment

Public managers seemed to measure how well they performed by looking at the number of outputs produced:

We normally consider the production of outputs as achievement.

A middle manager, OCSC

To tell whether the objectives have been achieved or not, we can look at the work results. For example, we can compare the target number of agencies needing an audit with the number of cases finished.

A supervisor, OAG

Mostly, we only compared what we produced with the plan.

A middle manager, BB

The indicator is the number of investigated cases compared with the target. If we can match them, it is considered an achievement.

A top executive, ONCCC

The number of the agreed work outputs was pre-specified in the agency's annual planning documents used as supporting data for a budget request proposal to the Bureau of the Budget. The agencies would be regarded as being successful and efficient if they could produce the outputs as specified in their planning documents. Therefore, producing fewer outputs but keeping to the plan would possibly be considered better than producing more outputs but being behind the plan.

The [bureau director] who doesn't want to work hard is able to set very easily hit targets, say 300 cases, while another one might set a target of 400 cases. For the latter bureau, even if 390 cases were finished, it would still appear as failure to meet the target

A middle manager, ONCCC

However, since the level of pre-specified outputs was used as a criterion for budget allocation, the agencies were tempted to specify high output levels in the hope of getting larger budgets. Additionally, since the agencies were able to adapt their target outputs later, the manipulation of target setting was not uncommon because they would be able to set

high target outputs, in order to get a greater budget, and then lower the targets later to appear as if they were achieving their targets.

Nominal plan-changing tactic

Despite several factors being identified as influencing public agencies' policy/strategy changes, public managers noted that these changes were normally not substantial, and on occasion, merely symbolic. For this reason, in the main, operations remained unchanged, even though policy/strategy altered.

Public managers thus simply nominally revised activity plans, in order to appear responsive to the symbolic policy/strategy changes. An experienced planner noted:

I often found that the details in the revised planning documents were still the same, even though vision, mission, work and projects had already been changed. It was like old wine in a new bottle.

A supervisor, OCSC

By means of a superficial change in the plans, public managers could reduce the alignment tensions caused by a demand for organisational alignment once policy/strategy change had occurred.

This behaviour supports the notion of strategy disconnection in public agencies, for the agencies could still carry on the same operations, even when policy/strategy had changed.

Short-term performance-measuring tactic

Since public agencies' objectives appeared to be vague and to require the long-term for their realisation, it would be difficult to measure the achievement of these objectives. Public managers, therefore, needed to measure shorter-term performance instead because shorter-term measures could be regarded as milestones to the longer-term objectives (Hrebiniak and Joyce, 1984; and Hrebiniak and Joyce, 1986).

Moreover, shorter-term performance measurement is also more compatible with the measurement needs of the Thai civil service. For example, a major criterion used when considering a civil servant's promotion and salary increase is her or his short-term (annual or biannual) performance appraisal results.

It is, therefore, to be expected that civil servants would attempt to make their short-term performance appear excellent because it would determine their career prospects. This is especially the case for Thai civil servants, since the majority of them stay in the service for a considerable length of time, if not for a life-time.

An informant cited an example of a civil servant's short-term performance determining her or his career, based on his real-life personal experience:

Among the people who started working here the same time as I did, I was the last one to be promoted to Grade 5. The promotion was decided by the number of legal proceeding cases finished, of which I had done the least. I never got a double-scaled salary hike in those early years. Other

peers who knew the trick just did as many cases as possible without considering other things.

A middle manager, OCSC

Therefore, since it seemed appropriate to measure short-term performance, public managers, by aligning performance measures with short-term performance, appeared to be able to demonstrate the relevance of the performance measurement used. The short-term performance-measuring tactic could, therefore, subdue, at least to some degree, alignment tensions.

Unit-suboptimised measuring tactic

To deal with alignment tensions, public managers could also emphasise the measurement of their working unit. The perceived linkages between working units and the overall organisational performance is that the sub-unit's outputs, when accumulated altogether, would become the organisation's overall outputs. Therefore, the maintenance of the good performance of the sub-units would eventually lead to satisfactory overall organisational performance.

Managers using this tactic tended to focus on their own work unit performance without seeing the agency from a holistic view. This is comparable to a commonly known conflict in a business manufacturing company, i.e. conflict between production and design functions. For example, a product might be designed without due consideration of the appropriateness of the design for production (e.g. state-of-the-art designed but excessively costly to produce).

9.6.3 Distracting Strategy

In addition, managers also dealt with alignment tensions by distracting people's attention from the alignment issue. In so doing, the managers used four tactics, which can be classified as a '*distracting*' strategy. These tactics included *being-alert*, *alignment obscuring*, *blaming* and *hiding*. Each tactic will be explained and discussed in turn.

Being-alert tactic

It appears that public managers' awareness of the issues in contemporary management practices and of their being answerable to the concerns over these issues are important. The awareness and the ability to acknowledge those practices portray public agencies as rational. Organisational alignment, including the alignment between performance measurement and strategy in particular, is an example of those issues.

However, within a certain period of time, the supply of contemporary management practices is not unlimited. Therefore, public agencies continually monitoring the movements in management practice are able to anticipate, to a greater or lesser degree, which issues would become a public issue for them.

Public managers have learned from past experience that new and popular management practices have been brought into Thai public sector management practice. These imported management practices are almost exclusively those that have gained popularity in either public or business in the developed countries (e.g. public administration reform, reengineering, Total Quality Management, Management by Objectives, performance-based

budgeting system, good governance, public service agreement and Balanced Scorecard).

A high-ranking official noted that:

[The Thai public sector] is up-to-date internationally. We have results-based management, performance agreement and good governance. We also have the CEO system and others.

A top executive, OCSC

This informant also mentioned the *knowledge sharing sessions* that were held for the purpose of updating staff on contemporary management practices.

Staff were selected and assigned to study new books such as those recommended by the Prime Minister or the Secretary-General. A session would then be held for those persons to tell us about what's new. It was a way of learning together.

A top executive, OCSC

More often, the individuals expected to be especially alert to the new management practices were the planning officials who, from their responsibility, were familiar with the agency's activities and processes both in terms of the systemic picture and in detail. These officials' in-depth knowledge of the organisation's activities and processes coupled with their up-to-date management knowledge made it possible to help the agency to respond to the demand for modernity, and to defend the organisation's rationale.

In light of this, alignment tensions would be lessened by diversion of attention from the alignment issues to demonstration of awareness and acknowledgement of the alignment requirements. Since alignment tended to be difficult to assess, public managers who were alert would normally be able to talk themselves out of the problem when the concern over the alignment was raised.

Alignment-obscuring tactic

Public managers can also alleviate alignment tensions by obscuring the relationships between performance measurement and other organisational processes. With a rudimentary perception that the alignment between performance measurement and other processes is of virtue, there is no clear idea of what the performance measurement is to be aligned with.

While some informants claimed that performance measurement should support vision or missions, others claimed that it should align with objectives, outputs or policy/strategy instead. Others even noted that performance measurement was a stand-alone process that did not relate to any other processes, and thus, did not need to be changed, even when situations changed. The disparate nature of comments in the following examples of interview data illustrate this point:

... indicators demonstrate that we are in compliance with government's policy and the constitution.

A middle manager, OCSC

All performance indicators must ultimately aim at vision.

A supervisor, OCSC

*When objectives change, performance measurement needs to be changed
... I think the measurement does not need to be changed often because
we can tell performance by the plan.*

A middle manager, OAG

*... expect that how many units they plan to audit. The indicators were,
therefore, the number of audited units.*

A supervisor, OAG

*Once the objectives or strategy has changed or time goes by,
performance measurement changes too.*

A middle manager, BB

*... missions may be changed ... we need to adjust performance
indicators.*

A supervisor, BB

*No matter how time passes, the main indicator remains the same, i.e.
number of cases finished compared with the plan.*

A top executive, ONCCC

If activities or objectives change, performance indicators need to change too.

A middle manager, ONCCC

From these interview data, the diversity in the way public officials regarded the relationships between performance measurement and other organisational processes can be observed. This diversity was found both among the officials in the same organisation and among the officials across different organisations.

By obscuring the relationships between performance measurement and other organisational processes/activities, public managers appeared to be able to claim the existence of any kind of organisational alignment, including the alignment between performance measurement and strategy. As a result, alignment tensions could be subdued, at least to some degree, by use of this tactic.

Blaming tactic

Once the alignment concerns were raised, causing alignment tensions, public managers could blame several factors for hindering such alignment. These factors included (1) underdeveloped knowledge, (2) lack of management attention, (3) scarce resources, (4) changing requirements, and (5) performance of other units/agencies. Each of these will be discussed in turn next.

Underdeveloped knowledge

There was a common understanding among the informants that the knowledge pertaining to performance measurement in the public sector was underdeveloped. Examples of problematic issues in public sector performance measurement raised by the informants included the issues regarding:

- Public organisations' objectives
- Appropriate representative indicators for the performance of public organisations
- A public agency's performance when the same objectives were shared among different agencies
- Ways of comparing the performance of public agencies with different work environments

Frequently, the public sector performance measurement was compared with businesses. Public officials noted that the body of performance measurement knowledge for the public sector had been comparatively far underdeveloped, and did little to offer guidance for measurement practice in reality.

Performance measurement practice for the public sector was seen as not as easy or straightforward as those of business. For example, in business, it was commonly accepted that a company's performance could be measured in financial terms. Financial measures such as profit, sales or stock price were considered readily measurable. In contrast, in the public sector, it was claimed that there were no such sound representative measures for the performance of public sector organisations.

Lack of management attention

Mostly in practice, performance measurement activities and data were used merely for controlling and reporting purposes. It appeared that 'monitoring the progress of work in terms of the outputs produced in comparison to the plan was sufficient for serving these purposes without considering whether the measurement was aligned with policy/strategy.

The lack of management attention also claimed to cause public officials' inactiveness in using performance measurement for other purposes, such as for improving and developing. Public officials were required only to gather and report the data on, for example, the number of reports prepared, number of meetings held, and amount of budget spent. Since the provision of these raw performance data met the management requirements, the implication of the data seemed unnecessary.

Scarce resources

Public managers claimed that performance measurement could be too burdensome, since they were already swamped with regular tasks. These managers claimed that due to the limitations of available resources (e.g. money, time and human resources), they could not afford much to measure work performance.

Using a Thai expression, an OCSC middle manager referred to the use of performance measurement as comparable to *riding an elephant to catch a grasshopper*, meaning that the cost incurred from measurement activities may not be worth the benefits resulting from the measurement.

Changing requirements

A common perception about public agencies' working environment was their ever-changing requirements. Factors generating the requirements could be either external or internal to the agencies themselves. It was noted that while the most influential external factor appeared to be change in government policy, the most influential internal factor was changing of the agencies' work direction, due mainly to changes in top management.

On the one hand, public agencies, especially government agencies, were required to support government policy. Frequent changes in government policy resulted in the constantly changing requirements that would make it difficult for public managers to adapt.

On the other hand, the changes in requirement could also come from within the agencies themselves. For example, the agencies' top management appeared to be able to change the agencies' required work directions. These changes were sometimes based on political rather than operational reasons. An official noted:

[Top executives] might think that it would be good to change strategy, sometimes at whim. Nobody likes to follow the predecessor's footsteps ... other times, they might think that since they have become the boss, they can change the strategy to whatever they like.

A supervisor, OCSC

Changes in government policy, when coupled with changes in organisation strategy, resulted in frequent changes in work requirements. Therefore, if performance measurement was to be in line with strategy (work direction), then the change in work direction would inevitably affect the alignment between performance measurement and strategy. Public managers blamed the frequently changing requirements for making it difficult to maintain the alignment.

Performance of other units/agencies

It was noted that the performance of a unit depends on other units within an agency. Similarly, the performance of an agency also depends on how other agencies perform. Public managers regarded these correlative performances as inhibiting the measurement of the achievement of long-term strategic objectives. The managers claimed that since the objectives of individual units (agencies) were often the combination of work results of

more than one unit (agency), and that each unit (agency) did not have authority over another, it was unfair to measure a unit's (agency's) performance by measuring the objectives shared among different units (agencies).

[Our office] can only tell about [the office's] performance. It is not only we who produce all the [BB organisational] output; there are many other offices responsible for doing that as well.

A supervisor, BB

We often need to request the needed information from other agencies. It depends on how promptly they react to our requests. This inevitably affects our performance.

A supervisor, ONCCC

By blaming the correlation of performance as an uncontrollable factor, public managers can justify the measurement of their immediate work results which may not be aligned with strategy. As a result, almost all measures used among public agencies are the measures of what they have done (activities or outputs measures) with the given amount of resources (inputs measures).

Hiding tactic

This tactic involves avoidance of the discussion of alignment. Even though the problem of performance measurement misaligned with strategy was known, public officials tried to avoid mentioning it. The two following extracts highlight this point:

[If failed], we can blame neither policy nor objectives. We can't blame the inefficiency of our staff either, even though these might have caused the failure. The Thai civil service has been hiding these while making adjustments so that the work can still carry on.

A top executive, OCSC

... It is like criticising their own family; nobody would do so.

A middle manager, OCSC

All alignment strategies and tactics as well as their advantages, disadvantages and context of use were cited by informants and summarised in the following table.

Strategy	Tactics	Advantages	Disadvantages	Context of use
Do-nothing	Form-filling	<ul style="list-style-type: none"> -Convenient to manage since measurement is considered independent -Convenient to compare data overtime & across organisations -Easy to understand data 	<ul style="list-style-type: none"> -Measurement can't facilitate strategy implementation -Lessen ability to learn -Difficult to find ways to improve performance 	<ul style="list-style-type: none"> -Unable to create own measurement system -Less impact of outcomes on the public -Obligated to take measurement framework -Less dynamic environment
	Assuming & Believing	<ul style="list-style-type: none"> -Appear systematic & rational -No actions required 	<ul style="list-style-type: none"> -Objectives are at risk of never being fulfilled -Impede improvement initiatives 	<ul style="list-style-type: none"> -Commonly found -Higher units' outputs are accumulation of sub-units'
Realigning	Measures-Changing	<ul style="list-style-type: none"> -Performance data appear satisfactory, despite poor performance -Enhance flexibility -Able to have reserved capacity hidden for emergent use 	<ul style="list-style-type: none"> -Tolerate poor performance -Inefficiency might occur -Undermine improvement 	<ul style="list-style-type: none"> -Nature of work is complicated, sensitive, and less controllable -Strong concerns over resources constraints
	Nominal-Plans Changing	<ul style="list-style-type: none"> -Not defying strategy -Appear active -Allow flexibility to cope with ad hoc, urgent assignments -Managers appear busy -Adjustable for appropriate timing 	<ul style="list-style-type: none"> -Lessen ability to improve strategy -Poor performance can be hidden -Tolerate unsuccessful plans 	<ul style="list-style-type: none"> -Demonstrate according changes even symbolically -Performance often falls behind plan -Majority of tasks are routine (administrative)
	Short-term Performance Measuring	<ul style="list-style-type: none"> -On-the-way milestones are made visible -Managers have more control over performance 	<ul style="list-style-type: none"> -Trade off long-term organisational objectives 	<ul style="list-style-type: none"> -Objectives are abstract and taking long time to accomplish -Unclear cause-and-effect relationships between working results and long-term outcomes
	Unit-optimised Measuring	<ul style="list-style-type: none"> -Internal competition among sub-units may result in better performance -Provide target for internal benchmarking 	<ul style="list-style-type: none"> -Competing sub-units may cause conflicts -Prone to measurement manipulation e.g. collusion between sub-units -Hard to see organisation's overall performance 	<ul style="list-style-type: none"> -Difficult to see how sub-units' performance results in higher organisational level performance
Distracting	Being-Alert	<ul style="list-style-type: none"> -Answerable -Easy to do -Appear knowledgeable 	<ul style="list-style-type: none"> -Rhetoric -Hinder improvement 	<ul style="list-style-type: none"> -Subject more to external scrutiny -Having 'advanced,' or 'smart' image
	Alignment obscuring	<ul style="list-style-type: none"> -Answerable -Appear systematic & rational 	<ul style="list-style-type: none"> -Not having clear idea -Difficult to identify areas of problems 	<ul style="list-style-type: none"> -Subject to strong demand for effective management -Volatile policy/strategy with constant duties/responsibilities
	Blaming	<ul style="list-style-type: none"> -Time buying -No required effort 	<ul style="list-style-type: none"> -Antagonism from the blamed -Not attempted -Cannot identify areas of problems -Unsolved problems 	<ul style="list-style-type: none"> -Commonly found
	Hiding	<ul style="list-style-type: none"> -Problems are not revealed and operations are not affected 	<ul style="list-style-type: none"> -Problems might surface unexpectedly 	<ul style="list-style-type: none"> -Commonly found

**Table 9e: Advantages, Disadvantages and Context of Use
for Alignment Strategies and Tactics**
(Source: the author)

Instead of using a particular tactic, it was more common for public managers to use a combination of tactics in dealing with alignment tensions. This combination of tactics was based on a series of questionable/unapproved assumptions, including:

- An agency's performance is the accumulation of the sub-units' performance
- Outputs guarantee the accomplishment of long-term objectives
- The cascading nature of planning activities gives rise to natural alignment

There have also been common practices among public agencies, including:

- New management innovations frequently taken as a panacea
- Tolerance of mediocre performance
- Short-termism (e.g. focusing on short-term performance because it is a way to qualify for budget requested)

Even though an agency or its sub-units may appear to use a particular alignment strategy more than other strategies, the combined use of different strategies as well as different tactics was also found. Table 9f illustrates the use of a combination of alignment strategies/tactics for each case site.

	OCSC	BB	OAG	ONCCC
Do-nothing strategy				
• Form-filling	-	-	•	•
• Assuming-and-believing	-	-	•	•
Realigning strategy				
• Measures-changing	•	-	-	-
• Nominal plans-changing	•	-	•	-
• Short-term performance measuring	•	•	-	-
• Unit-suboptimised measuring	•	•	-	-
Distracting strategy				
• Being-alert	•	•	-	-
• Alignment obscuring	•	•	-	-
• Blaming	•	•	•	•
• Hiding	•	•	•	•

Table 9f: Alignment Strategies Used in Different Case Sites
(Source: the author)

From the table, an agency’s emphasis of a particular alignment strategy can be observed, despite the use of some selective tactics from other alignment strategies.

The three alignment strategies can also be classified into two groups as ‘*genuine*’ or ‘*spurious*’ attempts to arrive at alignment. On the one hand, public managers who appeared to be genuinely attempting to recreate alignment once misalignment had occurred tended to use the realigning strategy to arrive at the alignment. On the other hand, the managers who appeared to spuriously attempt to align performance measurement with strategy often used either do-nothing or distracting strategies.

9.7 Summary

This chapter aimed to present and discuss the findings from this research. The overall inter-case analysis from this multiple-case study resulted in five research findings, including:

- Practical meanings of strategy in public sector management
- A missing practical view of the existing performance measurement and performance management definitions
- Performance measurement-strategy alignment tensions
- Advantages of strategy-misaligned performance measurement
- Performance measurement-strategy alignment strategies

The discussions regarding the first finding were that public officials regarded strategy as equivalent to the traditional policy. The term '*strategy*' and '*policy*' were found to have been used interchangeably.

The discussions regarding the second finding concerned an omitted practical view of the existing definitions of key concepts in performance measurement/management study. That is, the purpose of performance measurement to inform how well the organisation was working towards formally stated objectives was overemphasised, while other purposes, especially for indicating accountability to other requirements, were underemphasised. The refined definitions of key concepts based on empirical evidence from this research

were thus proposed. As a result, the alignment between performance measurement and strategy can be viewed from a different, yet somewhat more practical perspective.

The discussions regarding the third finding were concerned with the tensions public managers consistently encountered when attempting to align performance measurement with strategy. There were two reasons for this. Firstly, the measurement was expected to provide performance data beyond that of strategic concern. Secondly, strategy-aligned performance measurement contradicted the need for short-term performance data from the operational perspective. Therefore, having the performance measurement tightly aligned with strategy was not always advantageous. Conversely, misalignment was more preferable on many occasions.

The discussions regarding the fourth finding revolved around the advantages of misalignment. Misalignment was found capable of providing at least eight benefits to public agencies, including (1) creating balance between focus and scope of works, (2) bridging the strategy-operation disconnection, (3) creating flexibility, (4) enhancing measurability of performance measurement, (5) enhancing compatibility between performance measurement and personnel performance appraisal practice, (6) enhancing legitimacy, (7) increasing control over performance measurement results, and (8) encouraging organisational learning.

Finally, the discussions regarding the fifth finding were about how public managers dealt with alignment tensions in practice. It was found that they employed several tactics in so doing. Those tactics can be categorised into three main alignment strategies, namely, (1) do-nothing strategy, (2) realigning strategy, and (3) distracting strategy.

It is interesting that when coping with the pressure to demonstrate the alignment between performance measurement and strategy, public managers not only attempted directly to align measurement with strategy (as in the realigning strategy), but surprisingly, they could adopt a no action approach (as in the do-nothing strategy). It is perhaps even more surprising that public managers encountering such pressure could also divert the attention away from the alignment issue (as in the distracting strategy) and, in turn, cunningly subdue the tensions.

In the next chapter the conclusions of this research will be drawn.

CHAPTER 10

Conclusions

10.1 Introduction

To conclude this research, the final chapter aims to summarise how the findings from the study answer the research question. This chapter also aims to discuss the implications of the research, both in terms of its academic contributions and managerial implications. The limitations of this research will also be identified as well as the additional issues raised that suggest areas for future research.

This chapter will discuss the five following issues:

- The alignment between performance measurement and strategy in central government agencies
- Answers to the research question
- Research contributions
- Research limitations
- Additional issues raised by the research and areas for future research

10.2 The Alignment between Performance Measurement and Strategy in Central Government Agencies

The reasons that the alignment between performance measurement and strategy in central government agencies was worthy of study included the following:

- The review of the literature suggested that the subject represented a gap in the body of knowledge pertaining to performance measurement/management.
- The literature review also suggested that performance measurement should be aligned with strategy (see, for example, Dixon *et al.*, 1990; Kaplan, 1990, 2001; Kaplan and Norton, 1996a, 1996b, 1996c, 1996d; McAdam and Bailie, 2002; Neely, 1999; Neely *et al.*, 1994; and Parker, 2000), but there was still a lack of understanding of the subject, especially within the public sector context.
- Since strategies in public sector organisations appeared to be volatile, researching into the topic within this context would possibly teach some valuable lessons to organisations in this context as well as to organisations in the context with less strategic volatility.
- There was a lack of empirical evidence supporting the notion of performance measurement-strategy alignment.
- There was a shortage of research in the field in the central government context.

Despite the existing literature appearing to suggest that performance measurement should be aligned with organisational strategy, this research found that—for central government agencies—performance measurement and strategy were not likely to be aligned for at least two plausible reasons.

Firstly, performance measurement tightly aligned with strategy might appear to be insufficient in terms of providing performance data on aspects of agencies' performance other than that of strategic concern. Secondly, a contradictory perspective between that of strategy and that of performance measurement rendered the alignment of performance measurement with strategy unlikely. That is, while strategy usually focused on public agencies' longer-term performance, shorter-term oriented performance measurement was also needed from an operational view.

Even though the first reason mentioned above could be seen as the result of a unique characteristic of public agencies, in which there existed several stakeholder groups for the agencies to satisfy, the second reason was based mainly on the strategy-operation disconnection.

The literature appeared to extol the importance of the strategy-aligned performance measurement by normatively arguing for its advantages, while overlooking any possible downside. Nevertheless, this research found that strategy-misaligned performance measurement could have several benefits, thus making misalignment preferable on some occasions.

Although misalignment would appear to be advantageous in some circumstances, the requirement for organisational alignment—including the alignment between performance measurement and strategy—could cause alignment tensions in practice. These tensions could be considered a natural phenomenon occurring as the result of two competing needs for performance measurement focus, i.e. longer-term strategic focus and shorter-term operational focus. Public managers thus needed to find ways to cope with these tensions and to manage the alignment.

In the next section, which aims to formally answer the research question of this study, conclusions will be drawn about the alignment strategies used by public managers in central government agencies to cope with alignment tensions, and to manage the alignment between performance measurement and strategy.

10.3 Answers to the Research Question

How, in central government agencies, is the alignment between performance measurement and strategy managed?

- How are performance measures, performance measurement systems, performance measurement, and performance management understood?

- How is the performance measurement-strategy tension perceived?
- Is there performance measurement-strategy alignment?

Since it is not always sensible to tightly align performance measurement with strategy, while strategy-operation disconnection is a common characteristic of central government agencies, there still exists a requirement for such alignment. This can cause alignment tensions, which public managers need to find ways to alleviate.

In so doing, public managers appear to use several alignment strategies broadly categorised into two main groups: (1) genuine endeavours to create the alignment between performance measurement and strategy, and (2) spurious attempts to align performance measurement with strategy.

On the one hand, public managers who genuinely endeavour to align performance measurement with strategy in order to deal with alignment tensions, use the strategy called '*realigning strategy*' when misalignment occurs. With this strategy, public managers attempt to align performance measurement by use of the many tactics discussed in section 9.6.2. The main purpose is to make performance measurement more relevant to strategy. However, tight alignment cannot be achieved because (1) it is not always beneficial, (2) it requires enormous resources, especially since policy/strategy for public agencies is subject to a number of factors that can cause policy/strategy change, (3) there is no guidance for so doing, owing to underdeveloped knowledge in public sector performance measurement/management.

On the other hand, public managers can spuriously attempt to align performance measurement with strategy by either taking no action or directing attention away from the alignment issues by means of a '*do-nothing strategy*' or a '*distracting strategy*' (see the detailed discussions on these strategies in sections 9.6.1 and 9.6.3 respectively). They can do this because (1) misalignment can be more advantageous, (2) the requirement for alignment is not absolute and the alignment is not easy to discern, and (3) public agencies are prepared to talk themselves out of problems.

Therefore, it can be summarised that, in central government agencies, the alignment between performance measurement and strategy can be managed by using a *do-nothing strategy*, a *realigning strategy* or a *distracting strategy*. Regardless of the strategy used, the purpose is mainly to subdue the alignment tensions caused by a contradiction between a requirement for organisational alignment and a need for operations-oriented performance data.

It should also be noted that, although an agency's political dependency was expected to be a factor affecting the alignment between its performance measurement and strategy, and, in turn, the way the agency manages such alignment, no conclusion as such can be drawn from the results of this study. Even though, among the agencies having different degrees of political dependency, some differences can be observed (e.g. highly dependent agencies tend to be more active with regard to performance measurement/management than their independent counterparts), commonalities are also observable (e.g. the alignment is always assumed and not systematically assessed).

In the main, public agencies, regardless of their political dependency, manage the alignment in the same way. The reason for this is that although the so-called '*independent*' agencies are politically dependent in theory, they are not free from political influences in practice.

10.4 Research Contributions

This research has two areas of contribution: academic contributions and managerial implications, each of which will be identified in turn.

10.4.1 Academic contributions

This research appears to have academic contributions to the performance measurement/management body of knowledge by helping to bridge four out of the six gaps in the existing literature identified in section 4.6.

- This research adds the perspective of the practitioner on the alignment between performance measurement and strategy to the literature where there is a lack of consensus in defining organisational alignment. That is, it is necessary for performance measurement not only to be aligned with public agencies' strategy, but also to be capable of providing performance data regarding other aspects of performance beyond that of strategic concern.

- This research contributes to knowledge pertaining to performance measurement studies by identifying eight advantages of strategy-misaligned performance measurement, including (1) creating balance between focus and scope of work, (2) bridging the strategy-operation disconnection, (3) creating flexibility, (4) enhancing measurability of performance measurement, (5) enhancing compatibility between performance measurement and personnel performance appraisal practice, (6) enhancing legitimacy, (7) increasing control over performance measurement results, and (8) encouraging organisational learning. Therefore, the notion that performance measurement should be tightly aligned with strategy may need to be refined because strategy-misaligned performance measurement instead, can be beneficial in many circumstances.
- This research provides empirical evidence of how the alignment between performance measurement and strategy—as a component of organisational alignment—is managed in reality by identifying three alignment strategies, as well as tactics within each strategy, used by public managers to manage the alignment in practice. These three alignment strategies are (1) do-nothing strategy, (2) realigning strategy, and (3) distracting strategy. While the realigning strategy appears to be used to enhance alignment, the other two strategies are used rather to subdue the alignment tensions, and not necessarily to enhance alignment.
- This multiple-case study, comprising of the studies of four central government agencies, provides an evidence-based insight into the alignment between performance measurement and strategy in the public sector management context, in

which the body of performance measurement/management knowledge appears to be underdeveloped.

10.4.2 Managerial implications

In addition to the academic contributions, this research is also likely to have at least five managerial implications, identified as follows:

- The strategy-aligned performance measurement may not always be beneficial for the organisations in which strategy disconnection or policy volatility prevails
- Since the misalignment can also be advantageous in some situations, managers should be able to gain benefits from the misalignment by weighing the pros and cons of alignment, rather than tightly aligning the measurement with strategy.
- If strategy is meant to be practically different from the traditional policy, public managers need greater clarification of, for example, the meanings and functions of strategy in comparison to policy. Otherwise, the confusion of commonalities and differences between strategy and policy are likely to continue.
- The imposition of management innovations may not always be useful for the central government agencies, especially when they are commonly perceived as transient.

- The inclusiveness of practical perspectives on the definition of key concepts in performance measurement/management study makes academic research more relevant to practitioners' needs.

10.5 Research Limitations

Despite having reviewed the relevant literature and research methodology, having carefully designed and conducted the research methods, and repeatedly and painstakingly analysed the data obtained, this study still has a number of flaws and limitations, as indicated below.

- This research was conducted within a particular social and political context, i.e. Thai public administration. Had it been conducted in a different context, the results might have been different.
- Since the research was conducted within a particular context, the generalisability of the research results to a wider context cannot be confidently claimed, unless similar research is conducted within another context with similar results.
- Moreover, even within the context in which this research was undertaken, the generalisability is still subject to debate because the data was collected from only four of scores of Thai public agencies.

- The lack of guiding theory—owing to the underdeveloped body of knowledge in the field—resulted in vague fundamental concepts (e.g. strategy in public agencies, and the alignment between performance measurement and strategy), for the same concept was interpreted in various ways by different people. This could be regarded as a limitation of this research because the main data obtained are derived from the respondent's perception of the meaning and the interplay of these vague concepts.
- The fact that strategic management, including the application of performance measurement and strategy, was new to the cases studied can also be regarded as a limitation of this research. This is because there existed little documentation data supporting the interview data. Moreover, changes in the constructs were also likely to be limited, and thus difficult to observe.
- The political dependency of the agencies was expected to be a factor affecting the alignment between performance measurement and strategy in central government agencies. However, this could be neither proved nor disproved because the so-called independent agencies were found not politically independent in practice. A more appropriate classification scheme for the agencies' political dependency is needed, therefore.
- According to the interpretive research approach taken, the researcher's bias might have affected the collection as well as the interpretation of data regarding the phenomenon studied.

10.6 Additional Issues Raised by the Research and Areas for Future Research

From conducting this study, additional issues are raised, and could be suggested as possible areas for future research.

- A replication study should be undertaken in the European context to verify or falsify the results of this study. It would also be specifically appropriate to conduct a replication study in the UK public sector context, as the results from the exploratory study, in the first phase of this research, appeared to suggest that the alignment between performance measurement and strategy was important and of increasing interest to practitioners in the context.
- Even though the recent arrival of the constructs studied in the researched context could be considered a limitation of this study, it also gives rise to an opportunity to revisit the same topic in the same context, once the constructs reach maturity, in order to verify or falsify the results of this research.
- Since the meanings and functions of strategy appear to be equivalent to those of traditional policy, a study into the commonalities and/or differences of strategy and policy would help to differentiate the two in practice.

- Empirical evidence from this research is in tune with the notion suggested by the existing performance literature that the measuring of public organisations' long-term objectives accomplishment is difficult. However, a greater understanding of this measurement is needed if it is important to know whether these desired objectives are met.
- An interesting notion was raised by a few respondents, namely, that the individuals whose performance is monitored or measured might feel disgraced. Whether this is a cultural aspect of the context in which this study was conducted or universal to other contexts is perhaps worthy of further investigation.
- Another characteristic seemingly unique to public agencies is that there often are many agencies whose objectives appear to overlap. In view of this, the performance of these agencies is likely to be interrelated and difficult to measure. In order to be able to measure performance of these individual agencies, the development of an appropriate performance measurement approach is needed.
- Providing that public resources should be used efficiently, and that they should be allocated to the agencies that can make most efficient use of these resources, a further investigation into the relationships between public agencies' work performance and public resources allocation could be beneficial.

- It would also be interesting to investigate further performance measurement for independent government agencies that are reliant on government budget, but sometimes work against politicians' personal interests (e.g. counter-corruption agencies).
- In addition, performance measurement for professional agencies subject to more uncontrollable factors is also a possible area for future research. An example of these agencies is the court of justice, which normally is not able to specify the outcome of an investigative trial case, as it depends on evidence-gathering which is beyond its control.
- Since a commonly accepted notion emerging from this research is that public agencies' policy/strategy should support government policy/strategy, an approach for assessing the alignment between public agency's policy/strategy and governmental policy/strategy is needed.
- Further study of the similarities/differences of performance measurement in different public sector contexts (e.g. central versus local government agencies, professional versus non-professional agencies, and production versus non-production agencies) is also a promising research area.
- Finally, this research raises the issue of whether the independent agencies appear to be less active with regard to strategic management and performance measurement, which is worthy of further investigation.

10.7 Summary

The review of the existing literature from Chapter 2 to Chapter 5 suggested that the subject of the alignment between performance measurement and strategy is of interest and importance in the performance measurement/management research community. However, there still is a lack of empirical evidence supporting the normative notion of the alignment. Therefore, this study has sought an answer to the following question:

How, in central government agencies, is the alignment between performance measurement and strategy managed?

Chapter 6 reviewed research methodology and assessed the available research methods. Subsequently, the philosophical stance of this research was identified, leading to the adoption of case study as the research strategy. Multiple-case study research comprising the studies of four Thai central government agencies was then conducted by use of research methods explained in Chapter 7.

Chapter 8 provided the descriptions for each case site as well as the intra-case analysis results. This research resulted in five research findings, discussed in Chapter 9, including:

- The practical meanings of strategy in public sector management
- A missing practical perspective on the existing performance measurement/management definitions
- Performance measurement-strategy alignment tensions

- Advantages of strategy-misaligned performance measurement
- Performance measurement-strategy alignment strategies

The answers to the research question were that public managers used several tactics to manage the alignment between performance measurement and strategy. These tactics were classified into three alignment strategies, including realigning strategy, do-nothing strategy, and distracting strategy. While tactics in the first strategy involved the genuine endeavour to enhance alignment, tactics in the latter two involved spurious attempts to arrive at alignment. However, in central government agencies, the alignment between performance measurement and strategy was mainly managed merely to subdue the alignment tensions caused primarily by contradictory perspectives between that of strategy and the performance measurement in place.

Also in this final chapter were presented the research contributions, research limitations, and suggested areas for future research.

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LIST OF ABBREVIATIONS

B.E.	Buddhist Era
BB	Bureau of the Budget
BSC	Balanced Scorecard
EFQM	European Foundation for Quality Management
NCCC	National Counter Corruption Commission
NPM	New Public Management
OAG	Office of the Auditor General
OCSC	Office of the Civil Service Commission
OECD	Organisations for Economic Cooperation and Development
ONCCC	Office of the National Counter Corruption Commission
OPDC	Office of the Public Sector Development Commission
PMQ	Performance Measurement Questionnaire
SMART	Strategic Management Analysis and Reporting Technique

APPENDIX 1

List of questions in the semi-structured interview guide

To ensure that the interviewees understood the purpose of each question, probing questions and a prompt list of possible factors, bracketed and italicised, were used to supplement the main questions.

Below, in the left-hand column, is a list of actual questions asked in the interviews, conducted in the medium of Thai. In the right-hand column is the English translation of each question.

Questions asked in Thai	Questions translated into English
ชื่อ ตำแหน่งงาน ระยะเวลาในตำแหน่ง ระยะเวลาในองค์กร และหน้าที่ในตำแหน่งโดยสังเขป	Name, position, time in position, length of time with the organisation, and brief job description.
๑. คำถามเกี่ยวกับกลยุทธ์การดำเนินงานของหน่วยงาน	1. Questions regarding strategy
๑.๑ องค์กรหรือหน่วยงานนี้มีวิธีการกำหนดเป้าหมาย ในการดำเนินงานอย่างไร (กรุณาอธิบายกระบวนการกำหนดเป้าหมาย)	1.1 How does your organisation (department) set its goals? (<i>Explain the goal-setting process.</i>)
๑.๒ กลยุทธ์หรือวิธีการในการบรรลุเป้าหมายนั้นคือ อะไร	1.2 What are the strategies used to achieve those goals?
๑.๓ กลยุทธ์หรือวิธีการที่กล่าวถึงมีที่มาอย่างไร (เช่น ใครร่วมคิด/ใช้เวลานานแค่ไหน/มีกระบวนการอย่างไร/จัดการกับความเห็นที่แตกต่างอย่างไรจึงได้ข้อสรุป)	1.3 How are those strategies formulated? (<i>e.g. participants in formulating-process, length of time, settlement of arguments</i>)
๑.๔ กลยุทธ์ของหน่วยงานนี้ สอดคล้องและสนับสนุน นโยบายและกลยุทธ์ขององค์กรโดยรวมอย่างไร [หมายเหตุ คำถามนี้ใช้ถามเฉพาะผู้ให้สัมภาษณ์อื่นนอก เหนือจากผู้บริหารระดับสูงที่คุณและระดับองค์กร โดยรวม]	1.4 How do your department's strategies support the organisation's overall strategies? [N.B. This question applies to interviewees other than senior executives.]
๑.๕ ในการกำหนดเป้าหมายและกลยุทธ์ของหน่วยงาน จำเป็นต้องรับฟังความเห็นหรือความต้องการของ ใครหรือไม่ (เช่น รัฐบาล/รัฐมนตรีผู้กำกับดูแล/หน่วยงานของรัฐอื่นที่ เกี่ยวข้อง/ความคิดเห็นประชาชน/ความเห็นของข้าราชการ ผู้ปฏิบัติ/สื่อมวลชน/หน่วยงานระหว่างชาติ)	1.5 In setting goals and strategies, whose opinions do you need to consider? (<i>e.g. government, ministers, other related agencies, public opinion, superiors, subordinates, media, international organisations</i>)

๑.๖	หน่วยงานดำเนินการอย่างไรเพื่อให้เป็นไปตามกลยุทธ์ที่กำหนด	1.6	How are those strategies implemented?
๑.๗	มีการเปลี่ยนแปลงกลยุทธ์บ่อยครั้งแค่ไหน	1.7	How often do strategies change?
๑.๘	อะไรเป็นสาเหตุของการเปลี่ยนแปลงดังกล่าว (เช่น นโยบายรัฐบาลที่เปลี่ยนไป / สภาพสังคมและเศรษฐกิจที่เปลี่ยนแปลง / แรงกดดันเมื่อถูกเปรียบเทียบกับองค์กรอื่นทั้งรัฐและเอกชนหรือต่างประเทศ)	1.8	What are the factors causing those changes? (e.g. government policy, socio-economic changes, benchmarking)
๑.๙	การเปลี่ยนแปลงดังกล่าวเกิดขึ้นได้อย่างไร กระบวนการในการเปลี่ยนเป็นอย่างไร	1.9	How does your organisation (department) make changes in strategies?
๑.๑๐	มีบ้างไหมที่การเปลี่ยนแปลงกลยุทธ์ก่อให้เกิดผลลัพธ์ที่ไม่ได้คาดหมาย (กรุณายกตัวอย่างผลที่ไม่คาดคิดทั้งด้านบวกและลบ)	1.10	What are the unexpected consequences resulting from the changes? (e.g. positive and negative consequences)
๑.๑๑	หน่วยงานมีการสื่อสารการเปลี่ยนแปลงที่เกิดขึ้นให้รับรู้ทั่วกันอย่างไร (เช่น การแจ้งให้ทราบอย่างเป็นทางการหรือไม่เป็นทางการ, จะแน่ใจได้อย่างไรว่าเกิดความเข้าใจตรงกัน)	1.11	How are the changes communicated throughout the organisation (department)? (e.g. formal communication, informal communication, ways of ensuring officials are understood)
๒. คำถามเกี่ยวกับการวัดผลการปฏิบัติงานของหน่วยงาน		2. Questions regarding performance measurement	
๒.๑	ทราบได้อย่างไรว่ากิจกรรมการดำเนินการทั้งหลายขององค์กร (หน่วยงาน) นำไปสู่การบรรลุเป้าหมายที่ตั้งไว้	2.1	How do you know if your organisation (department) is working towards achieving pre-set goals?
๒.๒	มีตัวชี้วัดอะไรที่ใช้ระบุข้อมูลดังกล่าว (เช่น ตัวชี้วัดอย่างเป็นทางการที่ระบุไว้เป็นลายลักษณ์อักษรอย่างเป็นทางการ หรือตัวชี้วัดอย่างไม่เป็นทางการ เช่น การเปรียบเทียบกับผลการปฏิบัติงานในอดีต หรือระหว่างผู้ปฏิบัติงาน)	2.2	For what are the measures/indicators used? (e.g. formal/written standards or informal, such as norm and peer pressure, etc.)
๒.๓	ตัวชี้วัดดังกล่าวมีที่มาจากอย่างไร (มีปัจจัยใดสนับสนุนหรือเป็นอุปสรรคในการกำหนดตัวชี้วัดดังกล่าว) (มีปัจจัยใดสนับสนุนหรือเป็นอุปสรรคในการนำตัวชี้วัดดังกล่าวไปใช้)	2.3	Where do these measures/indicators come from? (Provide examples of facilitating/inhibiting factors in determining those measures/indicators.) (Provide examples of facilitating/inhibiting factors in the implementation of those measures/indicators.)

<p>๒.๔ ทราบได้อย่างไรว่าตัวชี้วัดผลการปฏิบัติงานดังกล่าวเหมาะสม</p> <p>(ตัวชี้วัดนั้นใช้ได้กับทุกๆสถานการณ์ และตลอดไปหรือ)</p> <p>(ทราบได้อย่างไรว่าตัวชี้วัดที่เหมาะสมกลับกลายเป็นไม่เหมาะสม เช่น วัดได้ไม่เพียงพอกับความต้องการ/ไม่เกี่ยวข้องกับเป้าหมายที่ต้องการ/ไม่มีประโยชน์ที่จะวัด/วัดยาก ทำให้ผลที่ได้จากการวัด ไม่คุ้มกับต้นทุนของการวัด)</p>	<p>2.4 How do you know those measures/indicators are appropriate?</p> <p><i>(Are they always suitable for any circumstance and at any time?)</i></p> <p><i>(How do you determine if the formerly appropriate measures have become inappropriate (insufficient, not relevant, useless, no longer financially viable, etc.)?)</i></p>
<p>๒.๕ มีสาเหตุอะไรที่ทำให้ต้องกลับไปพิจารณาความเหมาะสมของตัวชี้วัดที่ใช้อยู่</p> <p>(เช่น การเปลี่ยนแปลงกลยุทธ์, พิจารณากำหนดการที่ตั้งไว้, ได้รับการมอบหมายจากผู้บริหาร, เกิดข้อผิดพลาดในการปฏิบัติงาน)</p>	<p>2.5 What prompts you to reassess the appropriateness of those measures/indicators?</p> <p><i>(e.g. strategies changed, fixed schedule, management initiatives, or breakdown in aspects of a strategy, etc.)</i></p>
<p>๒.๖ มีการประเมินความเหมาะสมของตัวชี้วัดเหล่านั้นบ่อยแค่ไหน</p>	<p>2.6 How often do you assess the appropriateness of those measures/indicators?</p>
<p>๒.๗ หากพบว่าตัวชี้วัดผลการปฏิบัติงานที่ใช้อยู่ไม่ถูกต้องเหมาะสม จะมีการจัดการอย่างไร</p> <p>(ต้องมีการเปลี่ยนแปลงอะไร อย่างไร)</p>	<p>2.7 What would you do if the measures/indicators in use appear to be inappropriate?</p> <p><i>(What changes will be made?)</i></p>
<p>๒.๘ ใช้อะไรประกอบการตัดสินใจดังกล่าว</p> <p>(ข้อมูลประกอบหรือข้อคิดเห็นทั้งจากภายในและนอกองค์กร(หน่วยงาน))</p>	<p>2.8 On what are those decisions based?</p> <p><i>(i.e. information and its source from internal of and/or external to the organisation (department))</i></p>
<p>๒.๙ เมื่อได้รับทราบข้อมูลความคิดเห็นและข้อเสนอแนะต่างๆแล้วจัดการ(ดำเนินการวิเคราะห์)ข้อมูลเหล่านั้นอย่างไร</p>	<p>2.9 How do you react to such information?</p>
<p>๒.๑๐ การตัดสินใจขั้นสุดท้ายว่าจะดำเนินการอย่างไรทำได้อย่างไร</p>	<p>2.10 How do you make the decision as to the final solution for the change?</p>
<p>๒.๑๑ มีตัวชี้วัดใดใหม่ที่เราเห็นว่าไม่เหมาะสม หรือไม่เกี่ยวข้องกับการปฏิบัติงานของหน่วยงาน แต่ก็ยังจำเป็นต้องวัดและจัดเก็บข้อมูลเกี่ยวกับตัวชี้วัดนั้น เหตุใดจึงเป็นเช่นนั้น</p> <p>(กรุณายกตัวอย่าง)</p>	<p>2.11 Are there measures/indicators still in use that you consider to be inappropriate? Why are they still in use?</p> <p><i>(Please give examples of those measures, e.g. imposed measures.)</i></p>

<p>๒.๑๒ มีการดำเนินการอย่างไรในกรณีดังกล่าว (เช่น ได้รายงานผู้บริหารใหม่ว่าตัวชี้วัดดังกล่าวไม่มีประโยชน์ หรือว่าเพียงดำเนินการจัดเก็บข้อมูลนั้นไปโดยไม่มีข้อโต้แย้ง)</p>	<p>2.12 What do you do in such situations? (e.g. inform superiors, simply comply with them, etc.)</p>
<p>๒.๑๓ นอกเหนือจากใช้ระบุผลการปฏิบัติงานว่าดีหรือไม่แล้ว การวัดผลการปฏิบัติงานสามารถนำไปใช้เพื่อวัตถุประสงค์อื่นอีกได้หรือไม่ (เช่น เพื่อรายงานสู่สาธารณชนถึงเรื่องที่ได้ดำเนินการ, เพื่อเสริมสร้างความร่วมแรงร่วมใจระหว่างข้าราชการในหน่วยงาน, เพื่อรายงานต่อหน่วยงานบังคับบัญชาตรวจสอบ, เพื่อนำไปสู่รางวัลต่างๆ หรือเพื่อวัตถุประสงค์อื่นๆ)</p>	<p>2.13 Are the measures/indicators and performance data used for purposes other than telling how well your organisation (department) has been performing? (e.g. exhibiting accountability, creating unity, reporting purposes, receiving rewards, etc.)</p>
<p>๓. คำถามเกี่ยวกับผลกระทบของความสอดคล้อง/ไม่สอดคล้องระหว่างการวัดผลการปฏิบัติงานกับกลยุทธ์</p>	<p>3. Questions regarding the consequences of the alignment/misalignment between performance measurement and strategy</p>
<p>๓.๑ ผลของการที่มีการวัดผลการปฏิบัติงานที่สอดคล้องกับกลยุทธ์การดำเนินงานคืออะไร (กรุณายกตัวอย่างทั้งผลดีผลเสีย)</p>	<p>3.1 What are the consequences of having performance measurement aligned with strategy? (Please give examples of both positive and negative consequences.)</p>
<p>๓.๒ ในทางตรงกันข้าม หากการวัดผลการปฏิบัติงานไม่สอดคล้องกับกลยุทธ์แล้ว ผลที่ตามมาจะเป็นอย่างไร (กรุณายกตัวอย่างทั้งผลดีผลเสีย)</p>	<p>3.2 In contrast, what would result from misalignment? (Please provide examples of both positive and negative consequences.)</p>
<p>๓.๓ จำเป็นเสมอไปหรือไม่ที่การวัดผลการปฏิบัติงานต้องสอดคล้องสัมพันธ์กับกลยุทธ์ให้มากที่สุดเท่าที่จะเป็นไปได้ และเหตุใดจึงต้องเป็นเช่นนั้น</p>	<p>3.3 Is it always necessary to maintain tight alignment? Why/why not?</p>
<p>๓.๔ มีกรณีใดบ้างที่สมควรต้องให้มีความสอดคล้องดังกล่าว และในทางตรงข้ามมีกรณีใดบ้างที่ความไม่สอดคล้องกลับจะเป็นประโยชน์มากกว่า (กรุณายกตัวอย่าง)</p>	<p>3.4 Can you identify and give examples of circumstances in which alignment is more desirable, and in contrast, misalignment is more desirable? (Please give examples.)</p>
<p>๓.๕ ใครในหน่วยงานที่ต้องการให้เกิดความสอดคล้องดังกล่าว และใครที่ต้องการเห็นความไม่สอดคล้องมากกว่า เหตุใดจึงเป็นเช่นนั้น</p>	<p>3.5 Who would prefer alignment and who would prefer misalignment? Why?</p>

๔. คำถามเกี่ยวกับการประเมินความสอดคล้องของการวัดผลการปฏิบัติงานกับกลยุทธ์	4. Questions regarding the assessment of alignment
๔.๑ ทราบได้อย่างไรว่าการวัดที่ใช้สอดคล้องและสนับสนุนกลยุทธ์การดำเนินงานของหน่วยงาน	4.1 How do you know if performance measurement supports and is aligned with strategy?
๔.๒ การประเมินระดับความมากน้อยของความสอดคล้องดังกล่าวทำได้อย่างไร (เช่น บอกได้อย่างไรว่าตัวชี้วัด ก. สอดคล้องกับกลยุทธ์มากกว่าตัวชี้วัด ข.)	4.2 How can you assess the degree of alignment? <i>(e.g. how could you tell if measure A is more aligned with strategy than measure B?)</i>
๔.๓ ข้อมูลที่ช่วยระบุว่ามีความสอดคล้องหรือไม่สอดคล้องดังกล่าวมีที่มาจากแหล่งใด (ใครสามารถให้ข้อมูลเหล่านี้/ข้อมูลเหล่านี้ส่งผ่านมาอย่างไร/ทั้งจากแหล่งข้อมูลภายในและภายนอกหน่วยงาน)	4.3 What are your sources of information on alignment/misalignment? <i>(How do you get such information - from within or outside the organisation/department?)</i>
๔.๔ มีการประเมินความสอดคล้องดังกล่าวอย่างเป็นทางการไหม ถ้ามีบ่อยแค่ไหน ถ้าไม่มีแล้วทราบได้อย่างไรว่ามีความสอดคล้องนั้นเกิดขึ้นจริง	4.4 Is alignment formally assessed? If so, how often? If not, how is it assessed?
๔.๕ อะไรเป็นปัจจัยกำหนดว่า สมควรต้องมีการพิจารณาประเมินความสอดคล้อง และเหตุใดปัจจัยนั้นจึงสามารถมีอิทธิพลดังกล่าวได้	4.5 What factors influence the need to assess alignment? Why are they influential?
๕. คำถามเกี่ยวกับการสร้าง และรักษาความสอดคล้อง	5. Questions regarding the creation and maintenance of alignment
๕.๑ ความสอดคล้องดังกล่าวสามารถทำให้เกิดขึ้นได้อย่างไรตั้งแต่แรกเริ่ม	5.1 How can alignment be created in the first place?
๕.๒ อะไรเป็นปัจจัยกำหนดความสอดคล้องและความไม่สอดคล้องดังกล่าว (ปัจจัยนั้นมีอิทธิพลอย่างไร)	5.2 What are the factors affecting alignment/misalignment? <i>(Why and how do these factors affect alignment/misalignment?)</i>
๕.๓ หากเปรียบเทียบระหว่างการวัดผลการปฏิบัติงานกับกลยุทธ์ สิ่งใดมักจะเป็นสาเหตุของความไม่สอดคล้องกันระหว่างการวัดผลการปฏิบัติงานกับกลยุทธ์มากกว่า (เหตุใดจึงเป็นเช่นนั้น)	5.3 In terms of performance measurement or strategy, which is more often the cause of misalignment? <i>(Why?)</i>
๕.๔ จะสามารถรักษาความสอดคล้องนั้นไว้ได้อย่างไรเมื่อเวลาผ่านไป	5.4 How can alignment be maintained over time?

<p>๕.๕ หากบางครั้งความไม่สอดคล้องกลับจะมีประโยชน์มากกว่าความสอดคล้องแล้ว เคยมีบ้างไหมที่จงใจกำหนดการวัดผลการปฏิบัติงานให้ไม่สอดคล้องกับกลยุทธ์</p> <p>(กรุณายกตัวอย่างและเหตุผลประกอบ)</p>	<p>5.5 If misalignment is sometimes more desirable, have you ever intentionally misaligned measures with strategy for any particular reason?</p> <p><i>(Provide examples of such measures and reasons.)</i></p>
<p>๕.๖ อะไรที่เปลี่ยนตัวชี้วัดผลการปฏิบัติงานที่สอดคล้องกับกลยุทธ์ให้กลายเป็นไม่สอดคล้อง</p> <p>(กรุณายกตัวอย่างของเกณฑ์ดังกล่าว)</p>	<p>5.6 What made measures formerly aligned with strategy become misaligned at a later date?</p> <p><i>(Give examples of such factors.)</i></p>
<p>๕.๗ มีวิธีการจัดการอย่างไรกับสถานการณ์ดังกล่าว</p> <p>(กรุณายกตัวอย่างด้วยนะจ๊ะ ฮี ฮี ฮี)</p>	<p>5.7 How did you cope with such an emergent-misalignment situation?</p> <p><i>(Provide examples and explanations.)</i></p>